

**VERNON COLLEGE**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

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**ANNUAL FINANCIAL REPORT**  
**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

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## *Organizational Information*

**Vernon College  
Organizational Data  
August 31, 2007**

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Board of Trustees

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<u>Officers</u>		<u>Term Expires</u>
Mr. Bob Ferguson	Chairman	May 1, 2012
Mr. Gene Heatly	Vice-Chairman	May 1, 2008
Mr. Norman Brints	Secretary	May 1, 2008

<u>Members</u>		
Mr. Brad Bolton		May 1, 2010
Mr. Curtis Graf		May 1, 2012
Mrs. Sylvia Mahoney		May 1, 2012
Mr. James Streit		May 1, 2010

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Principal Administrative Officers

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Dr. Steve Thomas	President
Mr. E. Gene Gooch	Dean of Administrative Services
Mr. Bob C. Bolton	Associate Dean of Administrative Services
Dr. Brenda Kays	Dean of Instructional Services
Mr. John Hardin, III	Dean of Student Services
Mr. Joe Hite	Dean of Admissions and Financial Aid/Registrar
Mrs. Shana Munson	Associate Dean of Workforce Education & Training

*Financial Section*



# EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA, CFE  
A. PAUL FLEMING, CPA, CFE  
J. MARK FLEMING, CPA

## Independent Auditor's Report

Board of Trustees  
Vernon College  
Vernon, Texas

We have audited the accompanying financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2007, as listed in the table of contents. These financial statements are the responsibility of Vernon College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vernon College and its discretely presented component unit, Vernon College Foundation, Incorporated, as of August 31, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2007, on our consideration of Vernon College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis identified as Required Supplementary Information in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of Vernon College taken as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the accompanying schedule of state awards required by the Texas Higher Education Coordinating Board, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The statistical section as listed in the table of contents has not been audited by us, and we do not express an opinion on it.

Respectfully submitted,

*Edgin, Parkman, Fleming & Fleming, PC*

Edgin, Parkman, Fleming & Fleming, PC

November 19, 2007



**Management's Discussion and Analysis**

This section of Vernon College's Annual Financial Report presents a discussion and analysis of the College's financial performance during the fiscal year ended August 31, 2007. Please read it in conjunction with the College's financial statements and notes, which follow this section.

**Overview of the Financial Statements**

This annual report consists of four parts – *management discussion and analysis, the basic financial statements, required supplementary information, and schedules of federal and state grant and contract expenditures.*

The basic financial statements, according to GASB 34, Par. 138, under Business-type Activity include two kinds of statements that present different views of the College:

The *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Net Assets* are college-wide financial statements that provide both long-term and short-term information about the College's overall financial status. The remaining financial statements are *Statement of Cash Flows, Schedule of Operating Revenues, Schedule of Operating Expenses by Object, Schedule of Non-Operating Revenue and Expenses, Schedules of Federal and State Awards*, that provide more detail on the specific revenue generated and expenditures made during the past year of operation.

The *Statement of Net Assets* reports the total net assets available to finance future services. The elements of the statement of net assets are to be classified as current assets, long-term assets, current liabilities, long-term liabilities, and net assets. Net assets are to be classified as invested in capital assets, net of related debt, restricted, and unrestricted.

	<u>2007</u>	<u>2006</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,926,751	\$ 2,196,719
Short-term investments	4,098,958	3,975,000
Accounts receivable – net	900,927	1,096,676
Inventories	430,150	413,183
Deferred charges and prepaid assets	<u>1,131,854</u>	<u>1,074,537</u>
<b>Total Current Assets</b>	<b><u>9,488,640</u></b>	<b><u>8,756,115</u></b>
<b>Non-current Assets</b>		
Restricted cash and equivalents	405,257	161,526
Deferred charges	85,000	90,000
Capital assets-net	<u>16,157,583</u>	<u>16,026,533</u>
<b>Total Non-Current Assets</b>	<b><u>16,647,840</u></b>	<b><u>16,278,059</u></b>
<b>Total Assets</b>	<b><u>26,136,480</u></b>	<b><u>25,034,174</u></b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	659,639	586,360
Deferred revenues	3,477,545	2,614,121
Capital lease and bonds payable	<u>356,269</u>	<u>336,531</u>
<b>Total Current Liabilities</b>	<b><u>4,493,453</u></b>	<b><u>3,537,012</u></b>
<b>Non-Current Liabilities</b>		
Deposits and accrued liabilities	204,535	196,428
Capital lease and bonds payable	<u>8,482,594</u>	<u>8,838,863</u>
<b>Total Non-Current Liabilities</b>	<b><u>8,687,129</u></b>	<b><u>9,035,291</u></b>
<b>Total Liabilities</b>	<b><u>13,180,582</u></b>	<b><u>12,572,303</u></b>

Net Assets		
Invested in capital assets, net of related debt	7,318,720	6,851,139
Restricted for student aid	2,444,641	2,488,904
Restricted for debt service	216,382	495,072
Unrestricted	<u>2,976,155</u>	<u>2,626,756</u>
Net Assets	<u>\$ 12,955,898</u>	<u>\$ 12,461,871</u>

Cash and cash equivalents increased by \$730,032. This was due in part to a change in the timing of drawing down Title IV financial aid funds. Funds were drawn from the Department of Education in the last days of the year during the registration process. These funds were utilized by students paying for college costs in the first week or two of classes.

Short-term investments increased by \$123,958. With revenue over expenditures for the year, additional funds were available for investment.

Accounts receivable decreased by \$195,749. Receivables include state, non-governmental and federal grants, student notes, and local taxes receivable. All categories of receivables decreased during the year. All receivables were collected in subsequent months. A continued effort during the year was made to collect all receivables on a perpetual basis. All reimbursements for grants and contracts were filed on a monthly basis. All student accounts were billed monthly as well. During the 2004-2005 fiscal year, returned checks for insufficient funds or closed accounts were contracted to the Wilbarger County Attorney's Office for collections. The effort has proven to be an excellent method for collecting insufficient checks quicker and to deter issuance by students because notices are posted in all registration collection areas stating all returned checks will be sent to the County Attorney's Office for collection. Also, a contract signed during the 2004-2005 year with FACTS Management Company for the on-line collection of student payments and installment contracts for student tuition and fees or housing has continued to be a positive step. The contract was signed in April 2005 and the process began with summer registration. The process allows a student to choose a method of payment on the College web site after the completion of registration for classes. Methods of payment are by major credit card or through a bank draft. An analysis after the close of the spring semester 2006 reported an increase of the utilization of installment contracts by 7.5%. Accompanying the increase in contracts was a 24% decrease in the percentage of accounts delinquent from one year to the next.

Inventories consist primarily of bookstore inventory. Inventories increased by an insignificant amount for the year. The cost of textbooks continues to increase. Registration for the fall semester classes was completed by August 31. Many books required for fall classes were sold before year end. Bookstore sales have continued to increase over the last six years.

Deferred charges and prepaid assets increased by \$57,317. All student registration fees paid associated with the fall semester has been deferred to the 2007-2008 school year. Fall enrollment for 2007 has increased over the fall of 2006 enrollment. A record enrollment was achieved with the fall 2007 headcount of 2,842. Tuition rates were also increased from the 2005-2006 year to the 2006-2007 year.

Restricted cash and equivalents have increased by \$243,731 over the prior year. Restricted grants and contracts have increased from this year as compared to the past year. Cash is utilized to pay for goods and services; then subsequently reimbursement requests are made to offset the costs to the departments. The fewer the grants, the less expenditures and demands on cash.

Capital assets have increased by \$131,050 for the year. The increase is primarily due to the remodeling project and addition of approximately 12,000 square feet to the Century City Center. More discussion on this project will follow in the capital asset section to follow.

Accounts payable and accrued liabilities increased by \$73,279. Many supply items to begin the school year were received in late August and were not invoiced and paid for until early September.

Deferred revenues consist of amounts received by grants and contracts over the expenses incurred during the year and student payments for fall tuition and fees. Deferred tuition and fee revenue make up the majority of the recorded increase of \$863,424 from 2007 over 2006. The registration period for the fall semester closed prior to the close of the fiscal year and enrollment was at a record high for the fall.

Current capital lease and bond payables increased by \$19,738. In 2004, student revenue bonds were issued in the amount of \$8,100,000 and a capital lease for energy conservation measures for \$1,644,995 was signed. Payments for both debt issuances and continued payments on all other small debts reduced the amounts outstanding for 2007. Additional detail on debt is found in the footnotes.

Non-current deposits and accrued liabilities increased slightly but not significantly between the years. Deposits consist mainly of residence hall room deposits. Library deposits are also included in this category.

Non-current capital lease and bond payables decreased by \$356,269. This decrease represents the timely schedule payments on all debt for the year.

Net assets increased by 3.96 percent for the year, \$12,461,871 in 2006 to \$12,955,898 for 2007. Revenue from student tuition and fees continues to increase. Two factors have affected the increase in student tuition and fees. The Board of Trustees approved rate for tuition has increased and student enrollment continues to climb. Local ad valorem tax revenue continues to be constant. State support has increased due to legislative action in the spring of 2005 partly because of the continued enrollment growth. The College continues to be aggressive in the area of fund-raising for student scholarships. The outlook for increased student enrollment is very good.

The *Statement of Revenues, Expenses, and Changes in Net Assets* is a statement of activities and reports the effect of non-operating (general maintenance ad-valorem tax and state appropriations) revenues, defined as the amounts of the functions that are not supported by charges to users (student tuition and fees). Revenues are presented as operating (program) revenue, non-operating (general) revenue, and capital contributions (additions to endowments, special and extraordinary items, and transfers). Expenses are reported by function, except those that meet the definition of special or extraordinary items. Functional expenses are defined as the "direct" expense specifically associated with a function and would not include allocations of indirect expenses. The functional categories for expenses are instruction, research, public service, academic support, institutional support, operation and maintenance of plant, scholarships and fellowships, auxiliary enterprises, and depreciation expense. The net asset section of this report has three components, invested in capital assets (net of related debt), restricted (nonexpendable or expendable), and unrestricted.

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Operating Revenues		
Tuition and fees (net of discounts of \$3,581,156 and \$3,024,316, respectively)	\$ 2,198,299	\$ 1,987,464
Federal grants and contracts	3,759,038	3,770,181
State grants and contracts	234,504	399,075
Non-governmental grants and contracts	627,138	583,976
Sales and services of educational activities	124,305	134,363

Investment income (program restricted)	134,949	231,759
Auxiliary enterprises (net of discounts of \$372,742 and \$377,530, respectively)	1,582,164	1,458,192
Other operating revenues	24,321	32,606
Total Operating Revenues	<u>8,684,718</u>	<u>8,597,616</u>
<b>EXPENSES</b>		
Operating Expenses		
Instruction	5,834,780	5,954,887
Public services	332,191	338,088
Academic support	2,462,146	2,109,335
Student services	1,743,620	1,453,965
Institutional support	2,030,647	1,904,323
Operation of physical plant	1,720,330	1,363,683
Scholarships and fellowships	368,533	635,800
Auxiliary enterprises	2,168,860	2,143,037
Depreciation	484,454	461,323
Total Operating Expenses	<u>17,145,561</u>	<u>16,364,441</u>
Operating Loss	<u>(8,460,843)</u>	<u>(7,766,825)</u>
Non-Operating Revenue (Expenses)		
State appropriations	6,948,017	6,879,466
Property taxes for maintenance & operation	2,036,614	2,054,039
Capital contracts, grants and gifts	37,061	-
Investment income	179,007	48,233
Lease income less lease expenses	168,853	382,772
Interest and fees on capital related debt	(473,360)	(491,488)
Net Non-Operating Revenues	<u>8,896,192</u>	<u>8,873,022</u>
Income Before Other Revenues (Expenses)	435,349	1,106,197
Other Revenues and Special Item		
Additions to permanent and term endowments	66,747	24,474
Loss on disposal of capital assets	<u>(8,069)</u>	<u>-</u>
Increase in Net Assets	<u>\$ 494,027</u>	<u>\$ 1,130,671</u>

Operating revenues are separated into several categories. Student tuition and fees remained a major source of revenue for 2007. The tuition revenue totals were assisted by a 10.3% increase for the in-district tuition rate, 14.1% increase for the out-of-district tuition rate, and 9.2% increase in the out-of-state tuition rate from 2006 to 2007. The College experienced an overall increase in gross tuition from 2006 to 2007 of 10.6% or \$210,835. Scholarship allowances and discounts increased slightly for the year. Grants decreased from \$4,753,232 in 2006 to \$4,620,680 in 2007 or 2.8%. The decrease in grants reporting was attributable to fewer grants and contracts received for the year. Sales and services of educational activities remained constant. Investment income decreased substantially from \$231,759 to \$134,949. Bond proceeds were available for investment the entire year of 2006 as was additional funds in endowed scholarship accounts. The effective earnings rates for investment also increased slightly as rates across most national

markets increased for the year. Auxiliary enterprises revenue increased from 2006 to 2007 by \$123,972 or 8.5%. Bookstore profit is the largest contributor to auxiliary enterprise income.

Operating expenses increased slightly overall for the year. Instructional expenditures decreased slightly from \$5,954,887 to \$5,834,780 for years 2006 and 2007, respectively. Some higher paid faculty retired and were replaced with lower paid faculty on the first few steps of the salary schedule. Public service expenditures slightly decreased over the costs in the prior year by \$5,897. Academic support expenses were up from \$2,109,335 in 2006 to \$2,462,146 for 2007 or 16.7%. Both expenditures in the unrestricted fund and the restricted grants fund increased in this area. Student services costs were up by 19.9%. Student service grants were secured and expenditures in this area grew. Institutional support costs increased by 6.6% from 2006 to 2007. An increase in technology support costs assisted in the overall increase in this area. The operation of the physical plant expenditures increased from \$1,363,683 in 2006 to \$1,720,330 in 2007. This increase represents 26.2% and recognizes a number of remodeling projects on the Vernon Campus. Scholarships and fellowship expenses decreased due to the administrative procedures of charging student tuition and fees to student accounts at the beginning of each semester. This procedure has an affect in the reduction of check amounts written to students for their balance of aid after the close of the registration process. Auxiliary enterprises increased insignificantly from 2006 to 2007. The cost increase is due to the cost of goods sold increasing in the book stores. As student headcount increases, total number of books also increases.

Non-operating revenue from state appropriations increased slightly. State support by legislative action is relatively the same in allocation for the second year of the biennium funding cycle. Property tax revenue decreased slightly (\$2,054,039 in 2006 to \$2,036,614 in 2007). The tax rate of the district remains one of the highest among community colleges in the state.

Net assets increased by \$494,027 for the year. The increase was from \$12,461,871 in 2006 to \$12,955,898 for 2007. The increase represents an overall increase in revenue and the management of expenditures for the year.

The primary purpose of the *Statement of Cash Flows* is to provide relevant information about the cash receipts and cash payments of an entity during the fiscal period. The statement explains the changes during the period in cash and cash equivalents regardless of whether there are restrictions on their use. The total amount of cash and cash equivalents at the beginning and end of the period shown in the statement are easily traceable to similarly titled items or subtotals shown on the Statement of Net Assets. First, the statement reports the effects during the period of operations, capital financing, noncapital financing, and investing transactions. Secondly, related information reports the investing, capital, and financing transactions that affect financial position but do not directly affect cash flows during the period. Finally, a reconciliation of operating income to net cash from operating activities is provided.

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating activities	\$ (6,843,367)	\$ (7,053,729)
Noncapital financing activities	8,984,631	8,933,505
Capital and related financing activities	(1,391,403)	(2,535,895)
Investing activities	<u>223,902</u>	<u>106,005</u>
Net Increase (Decrease) in Cash and Cash Equivalents	973,763	(550,114)
Cash and Cash Equivalents – beginning of year	<u>2,358,245</u>	<u>2,908,359</u>
Cash and cash equivalents – end of year	<u>\$ 3,332,008</u>	<u>\$ 2,358,245</u>

The primary cash receipts from operating activities consist of tuition, state appropriation, and grants and contracts. Cash outlays include payment of wages, benefits, supplies, and scholarships. Overall net cash used by operations increased for the year.

State appropriations and property taxes are the sources of noncapital financing activities. This source of revenue is categorized as non-operating even though the College's budget depends on these sources to continue the current level of operations of the physical plant and educational and administrative departments.

The main capital and related financing activities include construction and renovation projects and payments on capital debt. Renovation projects for 2006 were the completion of the renovation in the King Physical Education Center and the addition to and renovation of the Osborne Administration Building. Construction and renovation projects totaled \$1,237,773. Renovation projects for 2007 were the completion of the renovation of the Osborne Administration Building and the addition of classroom space on the Century City Campus. The renovation costs were approximately \$300,000. Principal paid on debt for 2006 was \$273,781 and \$280,262 for 2007. Interest and fees paid on capital debt was \$486,488 in 2006 as compared to \$468,360 for 2007.

Investing activities reported was lease income from the Century City Center in excess of the related expenses of \$168,853 for 2007 and \$382,772 for 2006. Investing activities also reflects interest income earned on investments. Investment income reported a significant increase, which is reflective of the overall market and very high rates offered by our depository bank.

The *Schedule of Operating Revenues* provides a detail presentation of all operating revenue regardless of source. Sources of operating revenue are tuition, fees, scholarship allowances and discounts, other operating revenue from grants and contracts, and auxiliary enterprises. The total operating revenue for 2007 was \$8,684,718 as compared to \$8,597,616 in 2006.

The *Schedule of Operating Expenses by Object* reports operating expenses. Educational activities are reported as instruction, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships and fellowships. Auxiliary enterprises expenses and depreciation expense are also reported on this schedule. The natural classifications are presented as salaries, state benefits, local benefits, and other expenses in each of the educational activities where they apply. In 2006 operating expenses totaled \$16,364,441 and in 2007 they totaled \$17,145,561.

The *Schedule of Non-Operating Revenues and Expenses* reports all other areas of revenue and expenses. Non-operating revenue primary sources were state appropriations, local ad valorem taxes, investment income, and lease income. Revenues reported for 2007 was \$9,608,666 and \$9,608,830 for 2006. Non-operating expenses are lease property operational costs, amortization of bond issuance costs, and interest and fees on capital related debt. Expenses for 2007 are \$712,474 and in 2006 they are \$735,808. The change from one year to the next mainly consisted of a reduction in the interest and fees on capital related debt.

The *Schedule of Net Assets by Source and Availability* serves a dual purpose. The schedule reports the reconciliation of fund balances to net assets and to show which funds are actually available for current operations. The Available for Current Operations section shows which amounts may be spent for current operations without restrictions. Amounts in the "Yes" column indicate that there are no restrictions or designations from the local governing board that would prevent the amount from being spent for current operations. An entry in the "No" column would indicate the amount is not available for current operations.

The *Schedules of Federal and State Expenditures from Grants and Contracts* are schedules that satisfy the A-133 requirements and the State of Texas Single Audit Circular requirements.

## **Analysis of Balances and Transactions of Individual Funds**

Current funds activities netted increases in fund balances. The current unrestricted fund increased from \$2,460,961 in 2006 to \$2,769,350 in 2007. The results of managing expenditures and increasing student revenues and state appropriations led to the increase in net assets at year end. Student enrollment increased again marginally as the trend continues for the College to serve more students. All efforts are being made to maximize student enrollments in each class and to cut costs in operations wherever possible.

The Auxiliary Enterprise Fund increased in net assets for the year. In 2007 the net assets were \$206,805 and the 2006 year closed with a balance of \$165,795. The source of increase came from the student activities fund and the food services operation. Bookstore operations experienced a net profit, but all net profit at yearend is pledged to student scholarships and a transfer of \$140,726 was made at year end. Activities in auxiliary enterprises continue to increase and strong programs are in place in all areas. The outlook for the future is very bright as student enrollments continue to increase.

The Current Restricted Fund decreased by \$205,811 for the year. The restricted funds expended funds during the 2007 year that were generated in the prior year. The fund increased by \$251,837 in the year ended in 2006. Restricted grants and contracts as well as scholarship funds continue to be a strong source of revenue for the College.

The net assets for the Endowment Fund grew by \$81,244 for 2006 and \$161,548 in 2007. There were contributions to endowments of \$66,747 as additions to principal and \$134,949 in interest income was earned for the fund year. The future appears to be bright for the endowment fund as a commitment to raise the awareness of the need for assistance to attend college is being perpetually communicated within the service area.

The Retirement of Indebtedness Fund grew by \$475,126 for the year. The leased space in the Century City Center was a contributing source of revenue. The net lease revenue went to support the payment of the 2004 Bond schedule. Student revenues from the unrestricted current fund were transferred to satisfy the debt service for the year as well as contribute additional funds for future renovations and renewals of college owned property.

## **Reporting of Component Unit**

Reported within this report is Exhibit 1A, 2A, and 3A. Vernon College Foundation, Incorporated was established as a separate nonprofit organization in 1985. The unit raises funds to provide student scholarships and departmental grants. Exhibit 1A reports net assets grew to \$1,014,242 at the close of 2007. The Vernon College Foundation, Incorporated has for the first time grown in net assets to a total greater than one million dollars. Gifts and contributions, realized gains, and unrealized gains on investments are the major sources of revenue. Operating expense, investment advisory fees, and transfers to Vernon College are the expenses.

## **Analysis of the College's Overall Financial Position**

The overall financial position of the College is very good. The *Statistical Supplement Section* of this report reflects many positive changes. Fall credit head count enrollment has grown from 2,095 in 2000 to 2,793 in 2006 (see statistical supplements 15 and 16). Other supplemental schedules report increases in revenue. Student tuition and fee revenue as well as state appropriations increases are reported on statistical supplement 2.

The College taxing district is Wilbarger County, Texas. Ad valorem taxes are assessed and collected by the College based on the valuation of real property and minerals on January 1. The trend from 1993 until 2000 was an annual decline in valuation (\$768,509,627 in 1993 to \$630,645,582 in 2000). The valuation methodology for certain property within the district was changed in 2001 and an increase in valuation was experienced (\$631,136,636 in 2000 to

\$720,251,745 in 2001). The tax valuation returned to a downward trend for the year 2002 (\$707,482,000). To offset the reduction in valuation, the College Board of Trustees had gradually increased the tax rate to offset the reduction in valuations. The approved tax rate per \$100 of valuation has increased from \$.20011 in 1993 to \$.26195 in 2005. Valuation has been on a slow rise the past three years. In 2007 the valuation was \$919,199,840 and the tax rate was approved at a reduction to \$.21869 per \$100 of taxable valuation.

### **Significant Capital Assets and Long-term Debt Activity**

The College changed its capital asset capitalization policy to include only those items with a unit cost of \$5,000 or more and a useful life of over one year during the fiscal year ended August 31, 2001. The College also implemented the GASB 34 and 35 requirements regarding depreciation in the year ended August 31, 2002 financial statements. Beginning with fiscal year 2005, the Texas Comptroller's Office changed the classification of professional, academic, and research library books and materials from non-depreciable to depreciable to be consistent with industry standards. Such library materials were reported as Depreciable Assets for 2005. The capitalization policy of total library purchases will be subject to a \$5,000 capitalization threshold. Library books and materials in the collection was \$997,226 in 2006 and with the 2007 addition of \$21,336 was reported at \$1,018,562 for 2007.

There were changes in the long-term debt of the College during the year ended August 31, 2004. The final year of the 1979 revenue bond payments were made. Two new debt issues were undertaken in the 2004 year. A study of energy conservation measures ended with a proposal to undertake a project to renovate campuses in Vernon and Wichita Falls. After a request for proposal process was utilized, Johnson Controls, Inc was engaged to complete the project. The project included upgrading lighting, cooling units, heating units, water systems, and putting in place an energy management software system. The cost of the project was \$1,644,995. Payments will be made over 15 years. Savings from the energy conservation measures will assist in paying the debt by a guaranteed energy savings program. If the actual energy savings do not meet or exceed estimated savings, Johnson Controls, Inc. will guarantee the savings by funding any short fall. Another debt issue was the issuance of student revenue bonds for 2004. Payments will be made from student revenues and from revenues generated from the leasing of certain portions of the facility in Wichita Falls. The cost of the issue was \$8,100,000. The notes to the financial statements contain additional information concerning the debt structures for the College.

### **Discussion of Current Known Facts, Decisions, or Conditions**

Enrollment in headcounts is continuing to increase. The fall 2005 head count enrollment for the College was at an all time record of 2,785. The fall of 2006 surpassed the fall 2005 record to set a new record headcount enrollment at 2,793 students. All indications are that enrollment will continue to increase from distance education courses delivered within our service area. A committee was created seven years ago to assist in the planning for technology advancement expenditures. A report of all technology needs from each department and division has been prepared for the past four years. The report has been integrated into the strategic planning, annual planning and assessment, and budget processing for the college. Technology advances are being addressed and met within all areas of the institution.

### **Significant Capital Assets and Long-term Debt Activity**

With the advent of GASB 34/35 the College has a significant change in reporting capital assets at the year ended August 31, 2002. For the first time, depreciation expense of \$288,774 for 2002 was recorded. For the year ended August 31, 2007, depreciation expense of \$484,454 and for 2006 expense of \$461,323 was recorded. The capitalization policy for 2007 and 2006 recorded capital assets when the item value is \$5,000 or greater and has a useful life of greater than one year. Library books and materials were added as depreciable assets for 2005 as previously reported.



The College completed the renovation of the Wright Library in 2004 for the special services programs and the testing center. In 2005, the new roadway around the west side of the Vernon Campus was completed in the spring 2005. The King Physical Education Center renovation was begun in the natatorium, public restrooms, and both women's and men's locker rooms. The renovation was completed in late fall 2005. During the 2005-06 year, the Osborne Administration Building received some renovations. All administrative departmental areas were updated. Approximately 8,500 square feet was added to the facility to house a new board room, presidential suite, office for the dean of instructional services, records and admissions office, and office for the institutional advancement department. The office of student services and offices for counseling, student recruitment, and police were moved from the Sumner Applied Arts Center to the Osborne Administration Building. Approximately 12,000 square feet of usable space was renovated in the Century City Center in Wichita Falls to allow for the expansion of offering five new classrooms. This addition was completed in time for the fall 2007 semester.

### **Contacting the College's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the College's Business Office.

*Basic Financial Statements*

**Vernon College**  
**Exhibit 1**  
**Statements of Net Assets**  
**August 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,926,751	\$ 2,196,719
Short-term investments	4,098,958	3,975,000
Accounts receivable (net)	900,927	1,096,676
Inventories	430,150	413,183
Deferred charges	1,001,841	1,002,010
Prepaid assets	130,013	72,527
<b>Total Current Assets</b>	<u>9,488,640</u>	<u>8,756,115</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	405,257	161,526
Deferred charges	85,000	90,000
Capital assets (net)	16,157,583	16,026,533
<b>Total Noncurrent Assets</b>	<u>16,647,840</u>	<u>16,278,059</u>
<b>Total Assets</b>	<u>26,136,480</u>	<u>25,034,174</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	621,045	552,327
Accrued compensable absences - current portion	38,594	34,033
Deferred revenues	3,477,545	2,614,121
Capital leases payable - current portion	76,269	76,531
Bonds payable - current portion	280,000	260,000
<b>Total Current Liabilities</b>	<u>4,493,453</u>	<u>3,537,012</u>
<b>Noncurrent Liabilities</b>		
Deposits	19,177	18,777
Capital leases payable	1,347,594	1,423,863
Bonds payable	7,135,000	7,415,000
Accrued compensable absences	185,358	177,651
<b>Total Noncurrent Liabilities</b>	<u>8,687,129</u>	<u>9,035,291</u>
<b>Total Liabilities</b>	<u>13,180,582</u>	<u>12,572,303</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	7,318,720	6,851,139
Restricted for:		
Nonexpendable:		
Student Aid	2,038,618	1,877,070
Expendable:		
Student Aid	406,023	611,834
Debt Service	216,382	495,072
Unrestricted	2,976,155	2,626,756
<b>Total Net Assets</b>	<u>\$ 12,955,898</u>	<u>\$ 12,461,871</u>

*The Notes to the Financial Statements are an integral part of the financial statements.*

**Vernon College**  
**Exhibit 1A**  
**Vernon College Foundation, Incorporated**  
**Statements of Financial Position**  
**August 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 63,128	\$ 49,733
Investments	969,471	776,358
Accrued interest receivable	<u>1,174</u>	<u>948</u>
Total assets	<u>\$ 1,033,773</u>	<u>\$ 827,039</u>
<b>LIABILITIES</b>		
Accounts payable	<u>\$ 19,531</u>	<u>\$ 12,519</u>
<b>NET ASSETS</b>		
Unrestricted	473,452	409,610
Permanently restricted	<u>540,790</u>	<u>404,910</u>
Total net assets	<u>1,014,242</u>	<u>814,520</u>
Total liabilities and net assets	<u>\$ 1,033,773</u>	<u>\$ 827,039</u>

*The Notes to the Financial Statements are an integral part of the financial statements.*

**Vernon College**  
**Exhibit 2**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended August 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Tuition and fees (net of discounts of \$3,581,156 and \$3,024,316, respectively)	\$ 2,198,299	\$ 1,987,464
Federal grants and contracts	3,759,038	3,770,181
State grants and contracts	234,504	399,075
Non-governmental grants and contracts	627,138	583,976
Sales and services of educational activities	124,305	134,363
Investment income (program restricted)	134,949	231,759
Auxiliary enterprises (net of discounts of \$372,742 and \$377,530, respectively)	1,582,164	1,458,192
Other operating revenues	24,321	32,606
<b>Total Operating Revenues</b>	<u>8,684,718</u>	<u>8,597,616</u>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	5,834,780	5,954,887
Public services	332,191	338,088
Academic support	2,462,146	2,109,335
Student services	1,743,620	1,453,965
Institutional support	2,030,647	1,904,323
Operation of physical plant	1,720,330	1,363,683
Scholarships and fellowships	368,533	635,800
Auxiliary enterprises	2,168,860	2,143,037
Depreciation	484,454	461,323
<b>Total Operating Expenses</b>	<u>17,145,561</u>	<u>16,364,441</u>
<b>Operating Loss</b>	<u>(8,460,843)</u>	<u>(7,766,825)</u>
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	6,948,017	6,879,466
Property taxes for maintenance & operation	2,036,614	2,054,039
Capital contracts, grants and gifts	37,061	-
Lease income	407,967	627,092
Investment income	179,007	48,233
Operational costs of lease property	(239,114)	(244,320)
Amortization of bond issuance costs	(5,000)	(5,000)
Interest and fees on capital related debt	(468,360)	(486,488)
<b>Net Non-Operating Revenues (Expenses)</b>	<u>8,896,192</u>	<u>8,873,022</u>
<b>Income Before Other Revenue and Special Item</b>	435,349	1,106,197
<b>Other Revenue and Special Item</b>		
Additions to permanent and term endowments	66,747	24,474
Loss on disposal of capital assets	(8,069)	-
<b>Increase in Net Assets</b>	494,027	1,130,671
<b>Net Assets</b>		
Net assets - beginning of year	12,461,871	11,331,200
<b>Net assets - end of year</b>	<u>\$ 12,955,898</u>	<u>\$ 12,461,871</u>

*The Notes to the Financial Statements are an integral part of the financial statements.*

**Vernon College**  
**Exhibit 2A**  
**Vernon College Foundation, Incorporated**  
**Statements of Activities**  
**For the Years Ended August 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Revenues and support:</b>		
Gifts and contributions	\$ 241,813	\$ 44,723
Silent auction	3,427	4,304
Investment income	16,223	15,120
Realized gains on investments	26,665	17,583
Unrealized gains on investments	46,277	16,845
	<u>334,405</u>	<u>98,575</u>
<b>Expenses:</b>		
Operating expenses	6,050	1,798
Investment advisory fees	15,960	13,033
Scholarship transfer	112,673	17,219
	<u>134,683</u>	<u>32,050</u>
<b>Increase in net assets</b>	199,722	66,525
Net assets at beginning of year	<u>814,520</u>	<u>747,995</u>
Net assets at end of year	<u><u>\$ 1,014,242</u></u>	<u><u>\$ 814,520</u></u>

*The Notes to the Financial Statements are an integral part of the financial statements.*

**Vernon College**  
**Exhibit 3**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from students and other customers	\$ 3,900,901	\$ 3,617,057
Receipts of appropriations, grants and contracts	5,561,475	4,824,094
Other receipts	348,262	431,706
Payments to or on behalf of employees	(11,275,016)	(10,545,001)
Payments to suppliers for goods and services	(5,010,456)	(4,745,785)
Payments of scholarships	(368,533)	(635,800)
<b>Net cash used by operating activities</b>	<u>(6,843,367)</u>	<u>(7,053,729)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	6,948,017	6,879,466
Property taxes for maintenance and operations	2,036,614	2,054,039
<b>Net cash provided by noncapital financing activities</b>	<u>8,984,631</u>	<u>8,933,505</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of capital assets	12,005	-
Purchases and construction of capital assets	(598,517)	(1,699,096)
Principal paid on capital debt	(336,531)	(350,311)
Interest and fees paid on capital debt	(468,360)	(486,488)
<b>Net cash used by capital and related financing activities</b>	<u>(1,391,403)</u>	<u>(2,535,895)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Lease income	407,967	627,092
Operating costs of lease property	(239,114)	(244,320)
Purchase of short-term investments	(123,958)	(325,000)
Investment income	179,007	48,233
<b>Net cash provided by investing activities</b>	<u>223,902</u>	<u>106,005</u>
<b>Increase (decrease) in cash and cash equivalents</b>	973,763	(550,114)
<b>Cash and cash equivalents - beginning of year</b>	<u>2,358,245</u>	<u>2,908,359</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 3,332,008</u>	<u>\$ 2,358,245</u>
<b>Displayed as:</b>		
Cash and cash equivalents	\$ 2,926,751	\$ 2,196,719
Restricted cash and cash equivalents	405,257	161,526
	<u>\$ 3,332,008</u>	<u>\$ 2,358,245</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (8,460,843)	\$ (7,766,825)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Additions to permanent and term endowments	66,747	24,474
Depreciation expense	484,454	461,323
(Increase) decrease in current assets:		
Receivables, net	195,749	32,058
Inventories	(16,967)	(97,741)
Deferred charges	169	(103,326)
Prepaid assets	(57,486)	(4,642)
Increase (decrease) in current liabilities:		
Accounts payable	68,718	165,815
Accrued compensable absences	12,268	12,996
Deferred revenues	863,424	218,709
Deposits	400	3,430
<b>Net cash used by operating activities</b>	<u>\$ (6,843,367)</u>	<u>\$ (7,053,729)</u>

*The Notes to the Financial Statements are an integral part of the financial statements.*

**Vernon College**  
**Exhibit 3A**  
**Vernon College Foundation, Incorporated**  
**Statements of Cash Flows**  
**For the Years Ended August 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities:</b>		
Receipts of gifts	\$ 245,240	\$ 49,027
Payments to suppliers for goods and services	(22,010)	(14,831)
Payment of scholarships and grants	(105,661)	(20,689)
Net cash provided by operating activities	<u>117,569</u>	<u>13,507</u>
<b>Cash flows from investing activities:</b>		
Sales proceeds on sales of investments	318,712	200,913
Purchase of investments	(438,883)	(278,856)
Investment income	15,997	14,838
Net cash used by investing activities	<u>(104,174)</u>	<u>(63,105)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	13,395	(49,598)
<b>Cash and cash equivalents at beginning of year</b>	<u>49,733</u>	<u>99,331</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 63,128</u>	<u>\$ 49,733</u>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 199,722	\$ 66,525
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment income	(16,223)	(15,120)
Gain on sale of investments	(26,665)	(17,583)
Increase in fair value of investments	(46,277)	(16,845)
Increase (decrease) in operating liabilities:		
Accounts payable	7,012	(3,470)
Net cash provided by operating activities	<u>\$ 117,569</u>	<u>\$ 13,507</u>

*The Notes to the Financial Statements are an integral part of the financial statements.*



**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2007 AND 2006**

1. Reporting Entity

The Wilbarger County Junior College District (Vernon College) was established in 1970, in accordance with the laws of the State of Texas, to serve the educational needs of the public of Wilbarger County and surrounding communities. Vernon College (College) is considered a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". While the College receives funding from local, state and federal sources, and must comply with spending, reporting, and recordkeeping requirements of these entities, it is not a component unit of any governmental entity.

Vernon College Foundation, Incorporated (Foundation) was established as a separate nonprofit organization in 1985 to raise funds to provide student scholarships and assistance in the development and growth of the College. Under GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", an organization should be reported as a discretely presented component unit if those entities raise and hold economic resources for the direct benefit of a government unit. Accordingly, the Foundation's financial statements are included in the College's Annual Financial Report as a discretely presented component unit.

2. Summary of Significant Accounting Policies

A. Reporting Guidelines

The significant accounting policies followed by the College in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. The College applies all applicable GASB pronouncements and all applicable Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless they conflict or contradict GASB pronouncements. The College has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB. The College is reported as a special-purpose government engaged in business-type activities.

B. Tuition Discounting

1. Texas Public Education Grants

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside amount, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.0333). When the award for tuition is used by the student, the amount is recorded as tuition and a corresponding amount is recorded as a tuition discount. (If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.)

2. Title IV, Higher Education Act (HEA) Program Funds

Certain Title IV HEA Program Funds are received by the College to pass through to the student. These funds are initially received by the College and recorded as restricted revenue. When the student is awarded and uses these funds for tuition and fees, the amounts are recorded as revenue and a corresponding amount is recorded as a tuition discount. (If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.)

3. Other Tuition Discounts

The College awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amounts are recorded as tuition and fee revenue and a corresponding amount is recorded as a tuition discount. (If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.)

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2007 AND 2006**

C. Basis of Accounting

The financial statements of the College have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

D. Budgetary Data

Each community college in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The College's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library, and Governor's Office of Budget and Planning by December 1.

E. Cash and Cash Equivalents

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

F. Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at the time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

G. Inventories

Inventories consist of consumable office supplies, physical plant supplies, food service supplies, bookstore stock, and scholarship program books. Inventories are valued at the lower of cost or market value under the first-in, first-out method and are charged to expense as consumed.

H. Prepaid Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

I. Capital Assets

Capital assets are stated at cost. Donated capital assets are valued at their estimated fair market value on the date received. The College's capitalization policy includes real or personal property with a value equal to or greater than \$5,000 and has an estimated useful life of greater than one year. The College reports depreciation under a single line item as a business-type unit. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. The following lives are used:

Buildings	20-50 years
Land Improvements	20 years
Furniture, Machinery, Vehicles and Other Equipment	10 years
Telecommunications and Computer Equipment	5 years
Library Books	15 years

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2007 AND 2006**

J. Deferred Revenues

Tuition, fees, and other revenues received and related to the period after August 31, 2007 and 2006 have been deferred.

K. Income Taxes

The College is exempt from federal income taxes under Internal Revenue Code Section 115, "Income of States, Municipalities, Etc.", although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511(a)(2)(B), "Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations". The College had no unrelated business tax liability for the years ended August 31, 2007 and 2006.

The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

L. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Operating and Non-Operating Revenue and Expense Policy

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the College's principal ongoing operations. The principal operating revenues are tuition and related fees. The College also recognizes as operating revenue allocations from the state. The major non-operating revenues are state appropriations, property tax collections, and lease income. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The food service operation is not performed by the College.

3. Deposits and Investments

The College's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the College's agent bank approved pledged securities in an amount sufficient to protect College funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

At August 31, 2007 and 2006, the carrying amount of the College's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,430,966 and \$6,333,245, respectively, and the bank balance was \$7,954,423 and \$7,052,819, respectively. The College's cash deposits at August 31, 2007 were entirely covered by FDIC insurance or by pledged collateral held by the College's agent bank in the College's name.

Investments

The College is required by Government Code Chapter 2256, The Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2007 AND 2006**

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the College adhered to the requirements of the Act. Additionally, investment practices of the College were in accordance with local policies.

The Act determines the types of investments which are allowable for the College. These include, with certain restrictions, (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute.

The College's investments at August 31, 2007 and 2006 are as follows:

<u>Investment or Investment Type</u>	<u>August 31, 2007</u>		<u>August 31, 2006</u>	
	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	1.75	\$4,098,958	4.33	\$3,995,848
TexPool Investment Pool	--	--	1.00	17,988
		<u>\$4,098,958</u>		<u>\$4,013,836</u>

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the College was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the College was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name.

At year end, the College was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the College was not exposed to concentration of credit risk.

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d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the College was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the College was not exposed to foreign currency risk.

The Foundation's investments at August 31, 2007 and 2006 are shown below:

	<u>2007</u>	<u>2006</u>
Equity securities	\$512,978	\$496,635
Corporate bonds	335,314	279,723
Mutual funds	<u>121,179</u>	<u>--</u>
Totals	<u>\$969,471</u>	<u>\$776,358</u>
Total aggregate cost	<u>\$827,596</u>	<u>\$680,760</u>

Investment Accounting Policy

The College's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The State Comptroller of Public Accounts (State Comptroller) exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review investment policy and management fee structure. Finally, TexPool is rated AAA-m by Standard & Pools.

TexPool operates in a manner consistent with Securities Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

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4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the College in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the College is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The following are additional disclosures relative to property taxes for the year ended August 31, 2007:

Net assessed valuation is computed as follows:	
Gross assessed valuation	\$1,171,062,460
Less exceptions or abatements	( 251,862,620)
Net assessed valuation	<u>\$ 919,199,840</u>

The tax rate per \$100 valuation was as follows:

	Current Operations	Debt Service	Totals
Authorized	\$1.00000	\$ .00000	\$1.00000
Assessed	\$ .21869	\$ .00000	\$ .21869

Property taxes levied for the year ended August 31, 2007 amounted to \$2,010,198.

The taxes collected during the year ended August 31, 2007 were as follows:

	Current Operations	Debt Service	Totals
Current taxes	\$1,975,506	\$ --	\$1,975,506
Delinquent taxes	25,700	--	25,700
Penalties and interest	35,408	--	35,408
Total collections	<u>\$2,036,614</u>	<u>\$ --</u>	<u>\$2,036,614</u>

Current tax collections for the year ended August 31, 2007 were 98.3% of the current year levy. Allowances for uncollectible taxes are based on historical experience in collecting property taxes. The use of property taxes is restricted to either maintenance and operations or general obligation debt service.

5. Disaggregation of Accounts Receivable

Accounts receivable, net of allowances for uncollectibles, at August 31, 2007 and 2006 consisted of the following:

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August 31, 2007

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 659,915	\$233,950	\$ 425,965
Federal grants	306,776	--	306,776
State/local grants and contracts	70,237	--	70,237
Property taxes	133,584	58,569	75,015
Others	<u>22,934</u>	<u>--</u>	<u>22,934</u>
Totals	<u>\$1,193,446</u>	<u>\$292,519</u>	<u>\$ 900,927</u>

August 31, 2006

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
Students	\$ 711,183	\$199,989	\$ 511,194
Federal grants	418,858	--	418,858
State/local grants and contracts	56,232	--	56,232
Property taxes	140,832	58,579	82,253
Others	<u>28,139</u>	<u>--</u>	<u>28,139</u>
Totals	<u>\$1,355,244</u>	<u>\$258,568</u>	<u>\$1,096,676</u>

6. Capital Assets

Capital assets activity for the years ended August 31, 2007 and 2006 was as follows:

August 31, 2007

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,816,959	\$ --	\$ --	\$ 2,816,959
Construction in progress	<u>1,326,372</u>	<u>130,570</u>	<u>1,432,521</u>	<u>24,421</u>
Total capital assets not being depreciated	<u>4,143,331</u>	<u>130,570</u>	<u>1,432,521</u>	<u>2,841,380</u>
Capital assets being depreciated:				
Buildings	13,818,139	1,664,382	--	15,482,521
Land improvements	1,003,918	--	--	1,003,918
Furniture, machinery, vehicles and other equipment	1,109,089	237,374	31,366	1,315,097
Telecommunications and computer equipment	940,218	14,438	--	954,656
Library books	<u>997,226</u>	<u>21,336</u>	<u>--</u>	<u>1,018,562</u>
Total capital assets being depreciated	<u>17,868,590</u>	<u>1,937,530</u>	<u>31,366</u>	<u>19,774,754</u>
Less accumulated depreciation:				
Buildings	3,524,862	310,051	--	3,834,913
Land improvements	429,106	32,111	--	461,217
Furniture, machinery, vehicles and other equipment	572,737	86,075	11,291	647,521
Telecommunications and computer equipment	746,125	30,820	--	776,945
Library books	<u>712,558</u>	<u>25,397</u>	<u>--</u>	<u>737,955</u>
Total accumulated depreciation	<u>5,985,388</u>	<u>484,454</u>	<u>11,291</u>	<u>6,458,551</u>
Total capital assets being depreciated, net	<u>11,883,202</u>	<u>1,453,076</u>	<u>20,075</u>	<u>13,316,203</u>
Capital assets, net	<u>\$16,026,533</u>	<u>\$1,583,646</u>	<u>\$1,452,596</u>	<u>\$16,157,583</u>

**VERNON COLLEGE**  
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August 31, 2006

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 2,816,959	\$ --	\$ --	\$ 2,816,959
Construction in progress	<u>442,708</u>	<u>1,520,810</u>	<u>637,146</u>	<u>1,326,372</u>
Total capital assets not being depreciated	<u>3,259,667</u>	<u>1,520,810</u>	<u>637,146</u>	<u>4,143,331</u>
Capital assets being depreciated:				
Buildings	13,180,993	637,146	--	13,818,139
Land improvements	1,003,918	--	--	1,003,918
Furniture, machinery, vehicles and other equipment	1,018,170	90,919	--	1,109,089
Telecommunications and computer equipment	875,999	64,219	--	940,218
Library books	<u>974,078</u>	<u>23,148</u>	--	<u>997,226</u>
Total capital assets being depreciated	<u>17,053,158</u>	<u>815,432</u>	--	<u>17,868,590</u>
Less accumulated depreciation:				
Buildings	3,237,708	287,154	--	3,524,862
Land improvements	393,890	35,216	--	429,106
Furniture, machinery, vehicles and other equipment	498,568	74,169	--	572,737
Telecommunications and computer equipment	709,090	37,035	--	746,125
Library books	<u>684,809</u>	<u>27,749</u>	--	<u>712,558</u>
Total accumulated depreciation	<u>5,524,065</u>	<u>461,323</u>	--	<u>5,985,388</u>
Total capital assets being depreciated, net	<u>11,529,093</u>	<u>354,109</u>	--	<u>11,883,202</u>
Capital assets, net	<u>\$14,788,760</u>	<u>\$1,874,919</u>	<u>\$637,146</u>	<u>\$16,026,533</u>

7. Long-term Obligations

A. Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2007 and 2006 are as follows:

August 31, 2007

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$7,675,000	\$ --	\$260,000	\$7,415,000	\$280,000
Capital leases	1,500,394	--	76,531	1,423,863	76,269
Compensated absences *	<u>211,685</u>	<u>50,861</u>	<u>38,594</u>	<u>223,952</u>	<u>38,594</u>
Totals	<u>\$9,387,079</u>	<u>\$50,861</u>	<u>\$375,125</u>	<u>\$9,062,815</u>	<u>\$394,863</u>

\* - Other long-term liability.

August 31, 2006

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$7,925,000	\$ --	\$250,000	\$7,675,000	\$260,000
Capital leases	1,600,705	--	100,311	1,500,394	76,531
Compensated absences *	<u>198,688</u>	<u>47,030</u>	<u>34,033</u>	<u>211,685</u>	<u>34,033</u>
Totals	<u>\$9,724,393</u>	<u>\$47,030</u>	<u>\$384,344</u>	<u>\$9,387,079</u>	<u>\$370,564</u>

\* - Other long-term liability.



**VERNON COLLEGE**  
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B. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2007 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 356,269	\$ 450,656	\$ 806,925
2009	374,566	431,920	806,486
2010	400,295	411,981	812,276
2011	428,371	390,660	819,031
2012	451,372	368,043	819,415
2013-17	2,698,311	1,451,337	4,149,648
2018-22	2,874,679	701,487	3,576,166
2023-24	<u>1,255,000</u>	<u>67,160</u>	<u>1,322,160</u>
Totals	<u>\$8,838,863</u>	<u>\$4,273,244</u>	<u>\$13,112,107</u>

C. Revenue Bonds Payable

The Wilbarger County Junior College District Consolidated Fund Revenue Bond Series 2004 (\$4,170,000) and Taxable Series 2004 (\$3,930,000) were issued to acquire the Wichita Falls campus; improve, renovate, enlarge and equip the College's Administrative Building; and construct and improve roads on the College's Vernon campus. The combined amount of issues and amounts authorized was \$8,100,000. The sources of revenue for debt service include, as necessary, (1) tuition, (2) building use fees, (3) student service fees, (4) lab fees, (5) other fees, and (6) charges for the use of the components of the Auxiliary Enterprise Fund. The revenue bonds' interest rates range from 4.80% to 5.75%. However, on February 15, 2009, the interest rates are subject to adjustment as follows:

Tax-exempt bonds - interest rate adjusted to 110% of the Bond Buyer Index

Taxable bonds - interest rate adjusted to Prime Rate plus 1.75%.

Debt service requirements for the revenue bonds at August 31, 2007 are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 280,000	\$ 382,925	\$ 662,925
2009	290,000	367,986	657,986
2010	305,000	352,376	657,376
2011	325,000	335,831	660,831
2012	340,000	318,375	658,375
2013-17	2,005,000	1,294,929	3,299,929
2018-22	2,615,000	690,306	3,305,306
2023-24	<u>1,255,000</u>	<u>67,160</u>	<u>1,322,160</u>
Totals	<u>\$7,415,000</u>	<u>\$3,809,888</u>	<u>\$11,224,888</u>

There are a number of limitations and restrictions contained in the revenue bond indenture. Management has indicated that the College is in compliance with all significant limitations and restrictions.

D. Capital Leases

The Public Property Finance Act gives the College authority to enter into capital leases for the acquisition of personal property. Through August 31, 2007, the College has acquired \$1,644,995 in equipment through capital leases.

**VERNON COLLEGE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Commitments under capitalized lease agreements provide for minimum future rental payments as of August 31, 2007 as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	\$ 76,269	\$ 67,731	\$ 144,000
2009	84,566	63,934	148,500
2010	95,295	59,605	154,900
2011	103,371	54,829	158,200
2012	111,372	49,668	161,040
2013-17	693,311	156,408	849,719
2018-19	<u>259,679</u>	<u>11,181</u>	<u>270,860</u>
Totals	<u>\$1,423,863</u>	<u>\$463,356</u>	<u>\$1,887,219</u>

The interest rate on the capital leases is 5.40%.

E. Compensated Absences

1. Vacation Leave

Full-time employees earn annual leave from 8 to 12 hours per month depending on the number of years employed with the College. The College's policy is that an employee may carry his accrued vacation leave forward from one fiscal year to another with a maximum carryforward of 160 hours. Employees with at least one month of service who terminate their employment are entitled to payment of all accumulated annual leave up to the maximum allowed. The College recognized the accrued liability for the unpaid vacation leave of \$223,952 and \$211,685 at August 31, 2007 and 2006, respectively.

2. Sick Leave

Sick leave, which can be accumulated up to 360 hours, is typically earned at the rate of 8 hours per month. It is paid to an employee who misses work due to illness. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave to be minimal.

8. Pension Plans

The College participates in two pension plans; Teacher Retirement System of Texas and Optional Retirement Program. A description of each follows.

A. Teacher Retirement System of Texas

1. Plan Description

The College contributes to the Teacher Retirement System of Texas (System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the College, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas Legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the College. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

**VERNON COLLEGE**  
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2. Funding Policy

Plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the College's covered payroll. Additionally, the College contributes 1.31% of the covered payroll. Total payroll of employees covered by the System was \$4,614,183 and \$3,901,276, respectively. The College's employees' contributions to the System for the years ending August 31, 2007 and 2006 were \$295,308 and \$249,682, respectively, and were equal to the required contributions for the year. Other contributions made from federal and private grants and from the College for the years ending August 31, 2007 and 2006 were \$25,159 and \$20,052, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2007 and 2006, the amounts contributed by the State on behalf of the College were \$214,080 and \$187,023, respectively.

B. Optional Retirement Program

1. Plan Description

The College contributes to the Optional Retirement Program (Program) for institutions for higher education. Participation in the Program is in lieu of participation in the System. The Program provides for the purchase of annuity contracts. All risks and costs are not shared by the College, but are the liability of the State of Texas. Since the Program consists of several individual annuity contracts, no separate financial reports are available.

2. Funding Policy

Plan members are required to contribute 6.65% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the College's covered payroll. Additionally, the College contributes 1.31% of the covered payroll. Total payroll of employees covered by the Program was \$3,357,389 and \$3,211,433, respectively. The College's employees' contributions to the Program for the years ending August 31, 2007 and 2006 were \$223,266 and \$213,561, respectively, and were equal to the required contributions for the year. Other contributions made from the College for the years ending August 31, 2007 and 2006 were \$43,982 and \$42,070, respectively, and were equal to the required contributions for the year. During the years ended August 31, 2007 and 2006, the amounts contributed by the State on behalf of the College were \$201,443 and \$192,686, respectively. The State has no unfunded liabilities relative to the Program.

C. Total Payroll

The total payroll for all College employees was \$8,996,599 and \$8,517,276, respectively.

9. Deferred Compensation Plan

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government Code 609.001.

10. Risk Management

The College is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2007, the College purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

11. Health Care and Life Insurance Benefits

The State of Texas provides health care and life insurance benefits to active and retired employees of the College. The State's contribution per full-time employee was \$358 per month for employee only coverage and ranging from \$496 to \$702 for employee and dependent coverage for the year ended August 31, 2007. The State's contribution per full-time employee was \$361 per month for employee only coverage and ranging from \$498 to \$705 for employee and dependent coverage for the year ended August 31, 2006. The total number of employees participating in the plan and contributions were as follows:

**VERNON COLLEGE**  
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**YEARS ENDED AUGUST 31, 2007 AND 2006**

	2006-07		2005-06	
	Number of Employees	Contribution	Number of Employees	Contribution
Active employees	218	\$ 793,033	218	\$1,046,635
Retired employees	57	284,622	57	280,824
Totals	275	\$1,077,655	275	\$1,327,459

12. Commitments and Contingencies

A. Grants

The College participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the College has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the College, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

B. Operating Leases

Commitments under operating (noncapitalized) lease agreements for facilities provide for minimum future rental payments as of August 31, 2007 as follows:

Year Ending August 31:	
2008	\$ 33,000
2009	33,000
2010	33,000
2011	33,000
2012	11,000
Total	\$143,000
Rental expenditures in 2006-07	\$ 33,000
Rental expenditures in 2005-06	\$ 33,000

13. Leased Facilities

During 2004, the College purchased the facilities it had historically leased for its Wichita Falls campus. The Wichita Falls facility also included space which was leased to others through long-term lease agreements. At the time of the purchase of the Wichita Falls facility, the College assumed the leases. Originally, there were three leases maturing through December 2009, with options for extensions. As of August 31, 2007, there are two remaining leases maturing through December 2009. The net operations of this leased facility for the years ended August 31, 2007 and 2006 were as follows:

	2007	2006
Lease income	\$407,967	\$627,092
Operating costs	239,114	244,320
Net operating profit	\$168,853	\$382,772

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As of August 31, 2007, the remaining future lease income for the years ending August 31 is as follows:

<u>Year</u>	<u>Amount</u>
2008	\$391,566
2009	396,566
2010	122,189

*Other Supplementary Information*

**Vernon College**  
**Schedule A**  
**Schedule of Operating Revenues**  
**For the Year Ended August 31, 2007**  
**(With Memorandum Totals for the Year Ended August 31, 2006)**

	Unrestricted	Restricted	Total Educational Activities	Auxiliary Enterprises	2007 Totals	2006 Totals
<b>Tuition:</b>						
State funded credit courses:						
In-district resident tuition	\$ 183,078	\$ -	\$ 183,078	\$ -	\$ 183,078	\$ 185,631
Out-of-district resident tuition	2,964,383	-	2,964,383	-	2,964,383	2,424,506
Non-resident tuition	75,952	-	75,952	-	75,952	80,666
TPEG (set aside)*	-	201,750	201,750	-	201,750	158,511
State funded continuing education	333,785	-	333,785	-	333,785	277,530
Non-state funded continuing education	218,341	-	218,341	-	218,341	259,330
<b>Total Tuition</b>	<u>3,775,539</u>	<u>201,750</u>	<u>3,977,289</u>	<u>-</u>	<u>3,977,289</u>	<u>3,386,174</u>
<b>Fees:</b>						
General fees	1,173,656	-	1,173,656	-	1,173,656	1,141,242
Laboratory fees	628,510	-	628,510	-	628,510	484,364
<b>Total Fees</b>	<u>1,802,166</u>	<u>-</u>	<u>1,802,166</u>	<u>-</u>	<u>1,802,166</u>	<u>1,625,606</u>
<b>Scholarship allowances and discounts:</b>						
Remissions and exemptions - state	(188,513)	-	(188,513)	-	(188,513)	(176,191)
Title IV federal grants	(2,989,934)	-	(2,989,934)	-	(2,989,934)	(2,618,230)
TPEG awards	(234,533)	-	(234,533)	-	(234,533)	(160,572)
Other local awards	(168,176)	-	(168,176)	-	(168,176)	(69,323)
<b>Total Scholarship Allowances</b>	<u>(3,581,156)</u>	<u>-</u>	<u>(3,581,156)</u>	<u>-</u>	<u>(3,581,156)</u>	<u>(3,024,316)</u>
<b>Total Net Tuition and Fees</b>	<u>1,996,549</u>	<u>201,750</u>	<u>2,198,299</u>	<u>-</u>	<u>2,198,299</u>	<u>1,987,464</u>
<b>Other operating revenues:</b>						
Federal grants and contracts	6,130	3,752,908	3,759,038	-	3,759,038	3,770,181
State grants and contracts	-	234,504	234,504	-	234,504	399,075
Non-governmental grants and contracts	-	627,138	627,138	-	627,138	583,976
Sales and services of educational activities	124,305	-	124,305	-	124,305	134,363
Investment income (program restricted)	-	134,949	134,949	-	134,949	231,759
General operating revenues	24,321	-	24,321	-	24,321	32,606
<b>Total Other Operating Revenues</b>	<u>154,756</u>	<u>4,749,499</u>	<u>4,904,255</u>	<u>-</u>	<u>4,904,255</u>	<u>5,151,960</u>
<b>Auxiliary Enterprises:</b>						
Residential life	-	-	-	368,883	368,883	342,211
Scholarship allowances and discounts	-	-	-	(73,777)	(73,777)	(70,232)
Net Residential Life	-	-	-	295,106	295,106	271,979
Bookstore	-	-	-	1,494,827	1,494,827	1,434,103
Scholarship allowances and discounts	-	-	-	(298,965)	(298,965)	(307,298)
Net Bookstore	-	-	-	1,195,862	1,195,862	1,126,805
Student programs	-	-	-	91,196	91,196	59,408
<b>Total Net Auxiliary Enterprises</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,582,164</u>	<u>1,582,164</u>	<u>1,458,192</u>
<b>Total Operating Revenues (Exhibit 2)</b>	<u>\$ 2,151,305</u>	<u>\$ 4,951,249</u>	<u>\$ 7,102,554</u>	<u>\$ 1,582,164</u>	<u>\$ 8,684,718</u> (Exhibit 2)	<u>\$ 8,597,616</u> (Exhibit 2)

\* In accordance with Education Code 56.033, \$201,750 and \$158,511 for years August 31, 2007 and 2006, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

**Vernon College**  
**Schedule B**  
**Schedule of Operating Expenses by Object**  
**For the Year Ended August 31, 2007**  
**(With Memorandum Totals for the Year Ended August 31, 2006)**

	Operating Expenses			2007 Totals	2006 Totals	
	Salaries and Wages	Benefits				Other Expenses
		State	Local			
Unrestricted - Educational Activities						
Instruction	\$ 4,081,980	\$ -	\$ 296,442	\$ 302,756	\$ 4,681,178	\$ 4,443,778
Public Service	70,512	-	5,121	54,378	130,011	142,405
Academic Support	1,239,011	-	89,980	484,237	1,813,228	1,628,101
Student Services	919,441	-	66,772	131,790	1,118,003	1,040,072
Institutional Support	1,059,217	-	76,923	693,592	1,829,732	1,709,700
Operation and Maintenance of Plant	501,809	-	36,442	1,086,894	1,625,145	1,278,521
Scholarships and Fellowships	-	-	-	218,513	218,513	231,793
<b>Total Unrestricted Educational Activities</b>	<b>7,871,970</b>	<b>-</b>	<b>571,680</b>	<b>2,972,160</b>	<b>11,415,810</b>	<b>10,474,370</b>
Restricted - Educational Activities						
Instruction	264,750	774,282	46,684	67,886	1,153,602	1,511,109
Public Service	82,942	13,375	8,527	97,336	202,180	195,683
Academic Support	236,256	235,019	36,398	141,245	648,918	481,234
Student Services	35,522	174,402	3,150	412,543	625,617	413,893
Institutional Support	-	200,915	-	-	200,915	194,623
Operation and Maintenance of Plant	-	95,185	-	-	95,185	85,162
Scholarships and Fellowships	-	-	-	150,020	150,020	404,007
<b>Total Restricted Educational Activities</b>	<b>619,470</b>	<b>1,493,178</b>	<b>94,759</b>	<b>869,030</b>	<b>3,076,437</b>	<b>3,285,711</b>
<b>Total Educational Activities</b>	<b>8,491,440</b>	<b>1,493,178</b>	<b>666,439</b>	<b>3,841,190</b>	<b>14,492,247</b>	<b>13,760,081</b>
Auxiliary Enterprises	505,159	-	131,068	1,532,633	2,168,860	2,143,037
Depreciation Expense - Buildings and other real estate improvements	-	-	-	342,162	342,162	322,370
Depreciation Expense - Equipment and furniture	-	-	-	142,292	142,292	138,953
<b>Total Operating Expenses</b>	<b>\$ 8,996,599</b>	<b>\$ 1,493,178</b>	<b>\$ 797,507</b>	<b>\$ 5,858,277</b>	<b>\$ 17,145,561</b> (Exhibit 2)	<b>\$ 16,364,441</b> (Exhibit 2)



**Vernon College**  
**Schedule C**  
**Schedule of Non-Operating Revenues and Expenses**  
**For the Year Ended August 31, 2007**  
**(With Memorandum Totals for the Year Ended August 31, 2006)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total Educational Activities</u>	<u>Auxiliary Enterprises</u>	<u>2007 Totals</u>	<u>2006 Totals</u>
<b>NON-OPERATING REVENUES:</b>						
State appropriations:						
Educational and general state support	\$ 5,454,838	\$ -	\$ 5,454,838	\$ -	\$ 5,454,838	\$ 5,453,123
State group insurance	-	1,077,655	1,077,655	-	1,077,655	1,046,635
State retirement match	-	415,524	415,524	-	415,524	379,708
Total state appropriations	5,454,838	1,493,179	6,948,017	-	6,948,017	6,879,466
Property taxes for maintenance & operation	1,408,906	-	1,408,906	627,708	2,036,614	2,054,039
Capital contracts, grants and gifts	-	37,061	37,061	-	37,061	-
Lease income	-	407,967	407,967	-	407,967	627,092
Investment income	165,989	13,018	179,007	-	179,007	48,233
Total non-operating revenues	<u>7,029,733</u>	<u>1,951,225</u>	<u>8,980,958</u>	<u>627,708</u>	<u>9,608,666</u>	<u>9,608,830</u>
<b>NON-OPERATING EXPENSES:</b>						
Operational costs of lease property	-	239,114	239,114	-	239,114	244,320
Amortization of bond issuance costs	-	5,000	5,000	-	5,000	5,000
Interest and fees on capital related debt	-	468,360	468,360	-	468,360	486,488
Total non-operating expenses	<u>-</u>	<u>712,474</u>	<u>712,474</u>	<u>-</u>	<u>712,474</u>	<u>735,808</u>
Net non-operating revenues	<u>\$ 7,029,733</u>	<u>\$ 1,238,751</u>	<u>\$ 8,268,484</u>	<u>\$ 627,708</u>	<u>\$ 8,896,192</u>	<u>\$ 8,873,022</u>
					(Exhibit 2)	(Exhibit 2)

**Vernon College**  
**Schedule D**  
**Schedule of Net Assets By Source and Availability**  
**For the Year Ended August 31, 2007**  
**(With Memorandum Totals for the Year Ended August 31, 2006)**

	Detail by Source					Available for Current Operations	
	Unrestricted	Restricted		Capital Assets Net of Depreciation & Related Debt	Total	Yes	No
		Expendable	Non-Expendable				
Current:							
Unrestricted	\$ 2,769,350	\$ -	\$ -	\$ -	\$ 2,769,350	\$2,769,350	\$ -
Auxiliary	206,805	-	-	-	206,805	206,805	-
Student Aid	-	406,023	-	-	406,023	-	406,023
Endowment:							
Unrestricted:							
Student Aid	-	-	2,038,618	-	2,038,618	-	2,038,618
Plant:							
Debt Service	-	216,382	-	269,386	485,768	-	485,768
Investment in Plant	-	-	-	7,049,334	7,049,334	-	7,049,334
Total Net Assets, August 31, 2007	2,976,155	622,405	2,038,618	7,318,720	12,955,898	2,976,155	9,979,743
Total Net Assets, August 31, 2006	2,626,756	1,106,906	1,877,070	6,851,139	12,461,871	2,626,756	9,835,115
Net Increase (Decrease) in Net Assets	\$ 349,399	\$ (484,501)	\$ 161,548	\$ 467,581	\$ 494,027	\$ 349,399	\$ 144,628

(Exhibit 2)

**Vernon College**  
**Schedule E**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended August 31, 2007**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Pass-Through Disbursements and Expenditures</u>
<u>U. S. Department of Education:</u>			
<u>Direct Programs:</u>			
Supplemental Educational Opportunity Grant	84.007	N/A	\$ 33,765
Title III Student Success/Retention	84.031A	N/A	392,352
Federal Workstudy Program	84.033	N/A	46,895
Federal Pell Grant Program	84.063	N/A	2,264,194
Federal Academic Competency Grant	84.375	N/A	32,343
<u>Pass-Through From:</u>			
Texas Higher Education Coordinating Board:			
Carl Perkins Vocational Education:			
Annual Grant	84.048	54253	341,405
Tech Prep Regular Grant	84.243	51724	227,203
Federal LEAP Program	84.069A	N/A	3,251
Federal SLEAP	84.069B	N/A	5,486
Total U. S. Department of Education			<u>3,346,894</u>
<u>U. S. Department of Labor:</u>			
<u>Pass-Through From:</u>			
Nortex Regional Planning Commission:			
Workforce Investment Act - Classroom Training	17.255	N/A	217,349
Total U. S. Department of Labor			<u>217,349</u>
<u>U. S. Department of Health and Human Services:</u>			
<u>Pass-Through From:</u>			
Nortex Regional Planning Commission:			
Special Programs for the Aging - Title VII	93.041	N/A	9,575
Special Programs for the Aging - Title III, Part C Nutrition	93.045	N/A	179,230
Total U. S. Department of Health and Human Services			<u>188,805</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,753,048</u>

**Vernon College**  
**Schedule E**  
**Schedule of Expenditures of Federal Awards (Cont'd)**  
**For the Year Ended August 31, 2007**

Note 1: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in this schedule are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the College for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The College has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 2: Federal Assistance Reconciliation

Federal Revenues - per Exhibit 2	
Federal Grants and Contracts - previous page of Schedule E	\$ 3,753,048
Administrative Cost Recoveries - US Dept Of Education # 84.268 Direct Loans	<u>5,990</u>
 Total Per Exhibit 2	 <u>\$ 3,759,038</u>

Note 3: Pass-Through Amounts Included in Program Expenditures

CFDA No. 84.243 Carl Perkins Voc. Ed.-Tech Prep expenditures includes \$19,519 passed through to:

Midwestern State University	\$ 2,000
Prairie Valley Independent School District	2,463
Paducah Independent School District	623
Chillicothe Independent School District	479
Petrolia Independent School District	2,000
Byers Independent School District	2,096
Henrietta Independent School District	2,477
Munday Independent School District	1,919
Wichita Falls Independent School District	499
Midway Independent School District	2,000
Vernon Independent School District	1,865
Graham Independent School District	438
Saint Jo Independent School District	<u>660</u>
	<u>\$ 19,519</u>

Note 4: Student Loans Processed and Administrative Costs Recovered - Not Included in Schedule

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>New Loans Processed</u>	<u>Administrative Cost Recovered</u>	<u>Total Loans Processed and Administrative Cost Recovered</u>
Department of Education - 84.032 Federal Family Education Loan	<u>\$ 3,753,895</u>	<u>\$ -</u>	<u>\$ 3,753,895</u>

**Vernon College**  
**Schedule F**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended August 31, 2007**

<u>State Grantor / Pass Through Grantor / Program Title</u>	<u>Grant / Contract Number</u>	<u>Expenditures</u>
<u>Pass-Through From:</u>		
Texas Higher Education Coordinating Board		
College Workstudy	N/A	\$ 9,538
Texas Grant	N/A	168,343
Subtotal Texas Higher Education Coordinating Board		<u>177,881</u>
Texas Workforce Commission		
NATCO	0306SDF000	50,496
Apprenticeship	0306ATP001	6,127
Subtotal Texas Workforce Awards		<u>56,623</u>
Total Expenditures of State Awards		<u>\$ 234,504</u>

Note 1: Significant Accounting Policies Used in Preparing the Schedule

See Note B to the financial statements for the College's significant accounting policies. These expenditures are reported on the College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

*Statistical Section*

**Vernon College  
Statistical Supplement 1  
Net Assets by Component  
Fiscal Years 2002 to 2007  
(Unaudited)**

	For the Years Ended August 31,					
	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	\$ 7,318,720	\$ 6,851,139	\$ 5,263,055	\$ 6,590,592	\$ 5,586,656	\$ 5,090,355
Restricted - nonexpendable	2,038,618	1,877,070	1,795,826	1,673,310	1,587,076	1,488,924
Restricted - expendable	622,405	1,106,906	1,750,033	390,057	732,204	363,740
Unrestricted	2,976,155	2,626,756	2,522,286	2,491,700	1,642,629	1,340,597
Total primary government net assets	<u>\$ 12,955,898</u>	<u>\$ 12,461,871</u>	<u>\$ 11,331,200</u>	<u>\$ 11,145,659</u>	<u>\$ 9,548,565</u>	<u>\$ 8,283,616</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2002 to 2007 are available.

**Vernon College**  
**Statistical Supplement 2**  
**Revenue by Source**  
**Fiscal Years 2002 to 2007**  
**(Unaudited)**

	For the Years Ended August 31,					
	2007	2006	2005	2004	2003	2002
<b>Operating Revenues</b>						
Tuition and fees (net of discounts)	\$ 2,198,299	\$ 1,987,464	\$ 1,720,209	\$ 2,822,103	\$ 1,697,829	\$ 1,322,519
Government grants and contracts:						
Federal grants and contracts	3,759,038	3,770,181	3,987,185	3,658,890	3,323,669	2,950,009
State grants and contracts	234,504	399,075	291,696	263,204	475,227	842,634
Non-governmental grants and contracts	627,138	583,976	803,222	613,623	912,511	634,553
Sales and services of educational activities	124,305	134,363	135,549	137,505	133,277	137,730
Investment income (program restricted)	134,949	231,759	58,267	51,281	67,867	49,315
Auxiliary enterprises (net of discounts)	1,582,164	1,458,192	1,468,202	1,380,072	807,186	579,284
Other operating revenues	24,321	32,606	21,483	24,539	130,472	50,022
<b>Total Operating Revenues</b>	<u>8,684,718</u>	<u>8,597,616</u>	<u>8,485,813</u>	<u>8,951,217</u>	<u>7,548,038</u>	<u>6,566,066</u>
<b>Non-Operating Revenues</b>						
State appropriations	6,948,017	6,879,466	6,283,061	6,454,453	6,534,817	6,845,150
Ad valorem taxes	2,036,614	2,054,039	2,041,629	1,995,840	1,982,308	2,077,901
Capital contracts, grants and gifts	37,061	-	35,000	982,500	-	346,706
Lease income	407,967	627,092	636,406	73,739	55,042	-
Investment income	179,007	48,233	92,358	36,212	6,515	73,020
<b>Total Non-Operating Revenues</b>	<u>9,608,666</u>	<u>9,608,830</u>	<u>9,088,454</u>	<u>9,542,744</u>	<u>8,578,682</u>	<u>9,342,777</u>
<b>Total Revenues</b>	<u>\$ 18,293,384</u>	<u>\$ 18,206,446</u>	<u>\$ 17,574,267</u>	<u>\$ 18,493,961</u>	<u>\$ 16,126,720</u>	<u>\$ 15,908,843</u>

	For the Years Ended August 31,					
	2006	2006	2005	2004	2003	2002
<b>Operating Revenues</b>						
Tuition and fees (net of discounts)	12.02%	10.92%	9.79%	15.26%	10.53%	8.31%
Government grants and contracts:						
Federal grants and contracts	20.55%	20.71%	22.69%	19.78%	20.61%	18.54%
State grants and contracts	1.28%	2.19%	1.66%	1.42%	2.95%	5.30%
Non-governmental grants and contracts	3.43%	3.21%	4.57%	3.32%	5.66%	3.99%
Sales and services of educational activities	0.68%	0.74%	0.77%	0.74%	0.83%	0.87%
Investment income (program restricted)	0.74%	1.27%	0.33%	0.28%	0.42%	0.31%
Auxiliary enterprises (net of discounts)	8.65%	8.01%	8.35%	7.46%	5.01%	3.64%
Other operating revenues	0.13%	0.18%	0.12%	0.13%	0.81%	0.31%
<b>Total Operating Revenues</b>	<u>47.47%</u>	<u>47.22%</u>	<u>48.29%</u>	<u>48.40%</u>	<u>46.80%</u>	<u>41.27%</u>
<b>Non-Operating Revenues</b>						
State appropriations	37.98%	37.79%	35.75%	34.90%	40.52%	43.03%
Ad valorem taxes	11.13%	11.28%	11.62%	10.79%	12.29%	13.06%
Capital contracts, grants and gifts	0.20%	0.00%	0.20%	5.31%	0.00%	2.18%
Lease income	2.23%	3.44%	3.62%	0.40%	0.34%	0.00%
Investment income	0.98%	0.26%	0.53%	0.20%	0.04%	0.46%
<b>Total Non-Operating Revenues</b>	<u>52.53%</u>	<u>52.78%</u>	<u>51.71%</u>	<u>51.60%</u>	<u>53.20%</u>	<u>58.73%</u>
<b>Total Revenues</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2002 to 2007 are available.



**Vernon College**  
**Statistical Supplement 3**  
**Program Expenses by Function**  
**Fiscal Years 2002 to 2007**  
**(Unaudited)**

For the Years Ended August 31,

	2007	2006	2005	2004	2003	2002
<b>Operating Expenses</b>						
Instruction	\$ 5,834,780	\$ 5,954,887	\$ 5,166,243	\$ 4,943,120	\$ 5,642,015	\$ 6,419,503
Public service	332,191	338,088	555,596	470,146	350,217	383,702
Academic support	2,462,146	2,109,335	2,316,158	2,295,564	1,711,843	1,669,097
Student services	1,743,620	1,453,965	1,337,026	1,147,701	1,199,671	1,140,268
Institutional support	2,030,647	1,904,323	1,854,161	1,675,034	1,767,578	1,530,831
Operation and maintenance of plant	1,720,330	1,363,683	1,422,407	1,915,677	1,925,919	1,311,074
Scholarship and fellowships	368,533	635,800	918,081	2,303,717	513,465	476,811
Auxiliary enterprises	2,168,860	2,143,037	2,046,592	1,825,699	1,739,122	1,627,422
Depreciation	484,454	461,323	466,073	346,467	254,844	288,774
<b>Total Operating Expenses</b>	<u>\$ 17,145,561</u>	<u>16,364,441</u>	<u>16,084,337</u>	<u>16,923,125</u>	<u>15,104,674</u>	<u>14,847,482</u>
<b>Non-Operating Expenses</b>						
Operational costs of leased property	239,114	244,320	285,482	-	-	-
Amortization of bond issuance costs	5,000	5,000	5,000	-	-	-
Interest and fees on capital related debt	468,360	486,488	552,992	71,765	29,908	30,544
<b>Total Non-Operating Expenses</b>	<u>712,474</u>	<u>735,808</u>	<u>843,474</u>	<u>71,765</u>	<u>29,908</u>	<u>30,544</u>
<b>Total Expenses</b>	<u>\$ 17,858,035</u>	<u>\$ 17,100,249</u>	<u>\$ 16,927,811</u>	<u>\$ 16,994,890</u>	<u>\$ 15,134,582</u>	<u>\$ 14,878,026</u>

For the Years Ended August 31,

	2007	2006	2005	2004	2003	2002
<b>Operating Expenses</b>						
Instruction	32.67%	34.82%	30.53%	29.09%	37.28%	43.15%
Public service	1.86%	1.98%	3.28%	2.77%	2.31%	2.58%
Academic support	13.79%	12.34%	13.68%	13.51%	11.31%	11.22%
Student services	9.76%	8.50%	7.90%	6.75%	7.93%	7.66%
Institutional support	11.37%	11.14%	10.95%	9.86%	11.68%	10.29%
Operation and maintenance of plant	9.63%	7.97%	8.40%	11.27%	12.73%	8.81%
Scholarship and fellowships	2.06%	3.72%	5.42%	13.56%	3.39%	3.20%
Auxiliary enterprises	12.15%	12.53%	12.09%	10.74%	11.49%	10.94%
Depreciation	2.71%	2.70%	2.75%	2.04%	1.68%	1.94%
<b>Total Operating Expenses</b>	<u>96.01%</u>	<u>95.70%</u>	<u>95.02%</u>	<u>99.58%</u>	<u>99.80%</u>	<u>99.79%</u>
<b>Non-Operating Expenses</b>						
Operational costs of leased property	1.34%	1.43%	1.69%	0.00%	0.00%	0.00%
Amortization of bond issuance costs	0.03%	0.03%	0.03%	0.00%	0.00%	0.00%
Interest and fees on capital related debt	2.62%	2.84%	3.27%	0.42%	0.20%	0.21%
<b>Total Non-Operating Expenses</b>	<u>3.99%</u>	<u>4.30%</u>	<u>4.98%</u>	<u>0.42%</u>	<u>0.20%</u>	<u>0.21%</u>
<b>Total Expenses</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Note: Due to reporting format and definition changes prescribed by GASB 34/35, only fiscal years 2002 to 2007 are available.

**Vernon College  
Statistical Supplement 4  
Tuition and Fees  
Last Ten Academic Years  
(Unaudited)**

Resident								
Fees per Semester Credit Hour (SCH)								
Academic Year (Fall)	In-District Tuition	Out-of-District Tuition	Building Use Fee	Student Activity Fee	Cost for 12 SCH In-District	Cost for 12 SCH Out-of-District	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2006	32.00	56.50	11.00	6.00	49.00	73.50	6.52%	10.53%
2005	29.00	49.50	11.00	6.00	46.00	66.50	9.52%	13.68%
2004	25.00	41.50	11.00	6.00	42.00	58.50	5.00%	13.59%
2003	23.00	34.50	11.00	6.00	40.00	51.50	14.29%	11.96%
2002	22.00	33.00	7.00	6.00	35.00	46.00	2.94%	3.37%
2001	21.00	31.50	7.00	6.00	34.00	44.50	21.43%	8.54%
2000	17.00	30.00	7.00	4.00	28.00	41.00	0.00%	3.80%
1999	17.00	28.50	7.00	4.00	28.00	39.50	0.00%	3.95%
1998	17.00	27.00	7.00	4.00	28.00	38.00	0.00%	4.11%
1997	17.00	25.50	7.00	4.00	28.00	36.50		

Non-Resident								
Fees per Semester Credit Hour (SCH)								
Academic Year (Fall)	Non-Resident Tuition Out of State	Non-Resident Tuition International	Building Use Fee	Student Activity Fee	Cost for 12 SCH Out-of-State	Cost for 12 SCH International	Increase from Prior Year In-District	Increase from Prior Year Out-of-District
2006	96.00	87.00	11.00	6.00	113.00	104.00	8.65%	0.00%
2005	87.00	87.00	11.00	6.00	104.00	104.00	8.33%	8.33%
2004	79.00	79.00	11.00	6.00	96.00	96.00	12.94%	12.94%
2003	68.00	68.00	11.00	6.00	85.00	85.00	8.97%	8.97%
2002	65.00	65.00	7.00	6.00	78.00	78.00	0.00%	0.00%
2001	65.00	65.00	7.00	6.00	78.00	78.00	0.00%	0.00%
2000	65.00	65.00	7.00	6.00	78.00	78.00	9.86%	9.86%
1999	60.00	60.00	7.00	4.00	71.00	71.00	16.39%	16.39%
1998	50.00	50.00	7.00	4.00	61.00	61.00	19.61%	19.61%
1997	40.00	40.00	7.00	4.00	51.00	51.00		

Note: Includes basic enrollment tuition and fees but excludes course based fees such as laboratory fees, testing fees, and certification fees.

**Vernon College  
Statistical Supplement 5  
Assessed Value and Taxable Assessed Value of Property  
Last Ten Years  
(Unaudited)**

<u>Fiscal Year</u>	<u>Assessed Valuation of Property</u>	<u>Less: Exemptions</u>	<u>Taxable Assessed Value (TAV)</u>	<u>Ratio of Taxable Assessed Value to Assessed Value</u>	<u>Maintenance and Operation (a)</u>	<u>Debt Service (a)</u>	<u>Total (a)</u>
2006-07	\$ 1,171,062,460	\$ 251,862,620	\$ 919,199,840	78.49%	\$ 0.21869	\$ 0.00000	\$ 0.21869
2005-06	1,050,763,590	245,190,490	805,573,100	76.67%	0.24993	0.00000	0.24993
2004-05	1,009,481,640	243,684,940	765,796,700	75.86%	0.26195	0.00000	0.26195
2003-04	940,002,038	239,851,874	700,150,164	74.48%	0.28652	0.00000	0.28652
2002-03	969,950,448	262,468,448	707,482,000	72.94%	0.28652	0.00000	0.28652
2001-02	786,180,807	65,929,062	720,251,745	91.61%	0.28382	0.00000	0.28382
2000-01	715,095,693	83,959,057	631,136,636	88.26%	0.26250	0.00000	0.26250
1999-00	807,144,802	131,545,970	675,598,832	83.70%	0.28382	0.00000	0.28382
1998-99	819,138,104	131,860,340	687,277,764	83.90%	0.26310	0.00000	0.26310

Source: Wilbarger County Appraisal District

Notes: Complete information was not available for years 1997-98  
Property is assessed at full market value.  
(a) per \$100 Taxable Assessed Valuation

**Vernon College  
Statistical Supplement 6  
State Appropriations Per FTSE and Contact Hour  
Last Ten Fiscal Years  
(Unaudited)**

Fiscal Year	State Appropriations	Appropriation per FTSE		Appropriation per Contact Hour			State Appropriation Per Contact Hour
		FTSE	State Appropriations Per FTSE	Academic Contact Hours	Voc/Tech Contact Hours	Total Contact Hours	
2006-07	5,454,838	1,957	2,788	726,928	698,679	1,425,607	3.83
2005-06	5,453,123	1,961	2,780	694,752	767,656	1,462,408	3.73
2004-05	5,042,849	1,971	2,559	639,936	831,587	1,471,523	3.43
2003-04	5,042,930	2,146	2,350	647,568	868,196	1,515,764	3.33
2002-03	5,224,547	2,219	2,355	640,080	912,959	1,553,039	3.36
2001-02	5,613,313	1,930	2,908	541,984	802,146	1,344,130	4.18
2000-01	5,029,446	1,866	2,695	495,952	859,188	1,355,140	3.71
1999-00	4,973,528	1,881	2,645	470,960	883,779	1,354,739	3.67
1998-99	3,972,812	1,664	2,388	438,512	758,210	1,196,722	3.32
1997-98	3,820,179	1,638	2,332	425,552	765,258	1,190,810	3.21

Notes: FTSE is calculated by dividing the SCH by 30 and non semester length technical contact hours by 900.

State Appropriations include only the formula produced amounts for Academic and Voc Tech Programs.

**Vernon College  
Statistical Supplement 7  
Principal Taxpayers  
Last Seven Tax Years  
(Unaudited)**

Taxpayer	Type of Business	Taxable Assessed Valuation (TAV) by Tax Year						
		2007	2006	2005	2004	2003	2002	2001
AEP Texas North Company	Energy company	\$ 311,522,800	\$ 306,266,190	\$ 247,226,450	\$ 230,656,150	\$ 190,067,390	\$ -	\$ -
AEP Public Service Co of Oklahoma	Energy company	52,262,440	53,703,940	56,973,910	61,054,130	55,511,340	58,361,460	54,112,970
AEP Texas Central Company	Energy company	44,315,510	41,591,860	32,913,150	31,655,520	26,568,010	28,392,790	19,518,940
Oklahoma Municipal Power Authority	Energy company	30,411,870	31,876,920	32,505,830	33,519,560	30,638,140	32,854,150	27,282,450
Tyson Foods, Inc	Food processing plant	29,281,070	30,522,910	28,232,360	27,223,090	26,268,920	24,639,740	15,218,860
Rhodia, Inc	Guar processing plant	25,422,440	23,399,550	21,481,620	22,684,760	16,612,360	16,342,230	24,006,600
WT Waggoner Estate	Farming, ranching, oil & gas	19,659,204	20,541,460	17,689,480	17,427,760	10,507,350	10,806,490	10,684,180
West Texas Utilities Company	Energy company	11,467,250	11,467,250	11,467,250	11,467,250	7,819,470	214,611,520	173,643,380
BNSF Railway	Railroad company	11,694,320	10,334,230	9,360,030	8,733,150	9,043,140	9,067,200	7,648,180
Mahard Egg Farm	Egg farm	9,462,890	8,095,040	6,292,390	-	-	-	-
Southwestern Bell Telephone Co	Telephone company	6,109,790	5,778,290	-	6,160,750	7,022,450	7,711,780	8,224,460
Wal-Mart Stores Texas LP	Retail sales	-	-	-	-	-	4,704,360	-
Atmos Energy/MIDTEX	Energy company	-	-	-	-	-	-	2,759,660
<b>Totals</b>		<b>\$ 551,609,584</b>	<b>\$ 543,577,640</b>	<b>\$ 464,142,470</b>	<b>\$ 450,582,120</b>	<b>\$ 360,066,570</b>	<b>\$ 407,511,720</b>	<b>\$ 343,099,680</b>
<b>Total Assessed Taxable Value</b>		<b>\$ 919,199,840</b>	<b>\$ 805,573,100</b>	<b>\$ 765,796,700</b>	<b>\$ 700,150,164</b>	<b>\$ 707,482,000</b>	<b>\$ 720,251,745</b>	<b>\$ 631,136,636</b>

Taxpayer	Type of Business	Percentage Taxable Assessed Valuation (TAV) by Tax Year						
		2007	2006	2005	2004	2003	2002	2001
AEP Texas North Company	Energy company	33.89%	38.02%	32.28%	32.94%	26.87%	0.00%	0.00%
AEP Public Service Co of Oklahoma	Energy company	5.69%	6.67%	7.44%	8.72%	7.85%	8.10%	8.57%
AEP Texas Central Company	Energy company	4.82%	5.16%	4.30%	4.52%	3.76%	3.94%	3.09%
Oklahoma Municipal Power Authority	Energy company	3.31%	3.96%	4.24%	4.79%	4.33%	4.56%	4.32%
Wright Brand Foods, Inc	Food processing plant	3.19%	3.79%	3.69%	3.69%	3.71%	3.42%	2.41%
Rhodia, Inc	Guar processing plant	2.77%	2.90%	2.81%	3.24%	2.35%	2.27%	3.60%
WT Waggoner Estate	Farming, ranching, oil & gas	2.14%	2.55%	2.31%	2.49%	1.49%	1.50%	1.69%
West Texas Utilities Company	Energy company	1.25%	1.42%	1.50%	1.64%	1.11%	29.80%	27.51%
BNSF Railway	Railroad company	1.27%	1.28%	1.22%	1.25%	1.28%	1.26%	1.21%
Mahard Egg Farm	Egg farm	1.03%	1.00%	0.82%	0.00%	0.00%	0.00%	0.00%
Southwestern Bell Telephone Co	Telephone company	0.66%	0.72%	0.88%	0.88%	0.99%	1.07%	1.30%
Wal-Mart Stores Texas LP	Retail sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.65%	0.00%
Atmos Energy/MIDTEX	Energy company	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.44%
<b>Totals</b>		<b>60.01%</b>	<b>67.48%</b>	<b>60.61%</b>	<b>64.36%</b>	<b>53.72%</b>	<b>56.58%</b>	<b>54.36%</b>

(a) Taxpayer information was not available from the Wilbarger County Appraisal District Office for tax years 2000, 1999, and 1998

**Vernon College**  
**Statistical Supplement 8**  
**Property Tax Levies and Collections**  
**Last Eight Years**  
**(Unaudited)**

Fiscal Year Ended August 31,	Levy (a)	Cumulative Levy Adjustment	Adjusted Tax Levy (b)	Collections Year of Levy (c)	Percentage	Prior Collections of Prior Levies (d)	Current Collections of Prior Levies (e)	Total Collections (c+d+e)	Cumulative Collections of Adjusted Levy
2007	\$ 2,010,198	\$ 3,762	\$ 2,013,960	\$ 1,975,506	98.09%	\$ -	-	\$ 1,975,506	98.09%
2006	2,020,665	(6,490)	2,014,175	1,974,744	98.04%	-	15,492	1,990,236	98.81%
2005	2,006,004	4,377	2,010,381	1,969,076	97.95%	21,404	5,493	1,995,973	99.28%
2004	2,006,070	2,216	2,008,286	1,959,415	97.57%	33,644	3,710	1,996,769	99.43%
2003	2,027,077	(870)	2,026,207	1,979,074	97.67%	36,258	2,620	2,017,952	99.59%
2002	2,063,665	1,776	2,065,441	2,027,122	98.14%	30,309	1,687	2,059,118	99.69%
2001	1,791,292	28,563	1,819,855	1,786,199	98.15%	24,839	934	1,811,972	99.57%
2000	1,787,432	(22,901)	1,764,531	1,735,128	98.33%	23,209	506	1,758,843	99.68%

Note: Information is not available for the years ended August 31, 1999 and 1998

Source: Local Tax Assessor /Collector and District Records

- (a) As reported in notes to the financial statements for the year of the levy
- (b) As of August 31st of the current reporting year
- (c) Property tax only - does not include penalties and interest
- (d) Represents cumulative collections of prior years not collected in the current year or the year of the tax levy
- (e) Represents current year collections of prior year levies

**Vernon College**  
**Statistical Supplement 9**  
**Ratios of Outstanding Debt**  
**Last Ten Years**  
**(Unaudited)**

	For the Years Ended August 31,									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenue bonds	\$ 7,415,000	\$ 7,675,000	\$ 7,925,000	\$ 8,100,000	\$ 100,000	\$ 200,000	\$ 295,000	\$ 380,000	\$ 460,000	\$ 535,000
Notes	-	-	-	-	-	-	-	-	-	-
Capital lease obligations	1,423,863	1,500,393	1,600,705	1,698,491	108,339	195,663	265,466	153,572	195,163	234,045
Total Outstanding Debt	<u>\$ 8,838,863</u>	<u>\$ 9,175,393</u>	<u>\$ 9,525,705</u>	<u>\$ 9,798,491</u>	<u>\$ 208,339</u>	<u>\$ 395,663</u>	<u>\$ 560,466</u>	<u>\$ 533,572</u>	<u>\$ 655,163</u>	<u>\$ 769,045</u>

**Total Outstanding Debt Ratios**

Per Capita	not available	348.66	370.33	397.70	8.80	17.17	25.36	23.29	30.94	40.12
Per FTSE	4,517	4,679	4,833	4,566	94	205	300	284	394	470
As a percentage of Taxable Assessed Value	0.9616%	0.9982%	1.2439%	1.3995%	0.0294%	0.0549%	0.0889%	0.0790%	0.0953%	0.1066%

Notes: Ratios calculated using population and TAV from current year. Debt per student using full-time equivalent enrollment.

**Vernon College  
Statistical Supplement 10  
Legal Debt Margin Information  
Last Ten Years  
(Unaudited)**

	For the Years Ended August 31,									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<b>Taxable Assessed Valuation</b>	<b>\$ 919,199,840</b>	<b>\$ 805,573,100</b>	<b>\$ 765,796,700</b>	<b>\$ 700,150,164</b>	<b>\$ 707,482,000</b>	<b>\$ 720,251,745</b>	<b>\$ 631,136,636</b>	<b>\$ 675,598,832</b>	<b>\$ 687,277,764</b>	<b>\$ 721,112,784</b>
<b>General Obligation Bonds</b>										
Statutory tax levy limit for debt service	\$ 4,595,999	\$ 4,027,866	\$ 3,828,984	\$ 3,500,751	\$ 3,537,410	\$ 3,601,259	\$ 3,155,683	\$ 3,377,994	\$ 3,436,389	\$ 3,605,564
Less funds restricted for repayment of bonds	-	-	-	-	-	-	-	-	-	-
<b>Total Net General Obligation Debt</b>	<b>4,595,999</b>	<b>4,027,866</b>	<b>3,828,984</b>	<b>3,500,751</b>	<b>3,537,410</b>	<b>3,601,259</b>	<b>3,155,683</b>	<b>3,377,994</b>	<b>3,436,389</b>	<b>3,605,564</b>
Current year debt service requirement	-	-	-	-	-	-	-	-	-	-
<b>Excess of statutory limit for debt service over current requirement</b>	<b>\$ 4,595,999</b>	<b>\$ 4,027,866</b>	<b>\$ 3,828,984</b>	<b>\$ 3,500,751</b>	<b>\$ 3,537,410</b>	<b>\$ 3,601,259</b>	<b>\$ 3,155,683</b>	<b>\$ 3,377,994</b>	<b>\$ 3,436,389</b>	<b>\$ 3,605,564</b>
<b>Net current requirement as a percentage of statutory limit</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

Note: Vernon College has had no outstanding General Obligation Bond Debt for the last ten years



**Vernon College  
Statistical Supplement 11  
Pledged Revenue Coverage  
Last Ten Years  
(Unaudited)**

Revenue Bonds Fiscal Year Ended August 31	Pledged Revenues						Debt Service Requirements			Coverage Ratio
	Tuition	Laboratory/ Special Fee	General Registration Fees	General Use Fee	Facility Lease Revenue	Investment Income	Principal	Interest	Total	
2007	\$ 3,977,289	\$ 628,510	\$ 1,173,656	\$ -	\$ 407,967	\$ 179,007	\$ 280,000	\$ 382,925	\$ 662,925	9.60
2006	3,137,859	484,364	1,150,590	-	627,092	48,233	250,000	410,465	660,465	8.25
2005	2,705,330	431,066	1,139,657	-	636,306	43,233	175,000	473,638	648,638	7.64
2004	2,272,559	362,450	974,186	30,180	207,891	3,982	100,000	6,500	106,500	36.16
2003	114,945	-	-	46,748	199,921	6,339	100,000	13,000	113,000	3.26
2002	101,918	-	-	45,286	174,570	6,905	95,000	19,175	114,175	2.88
2001	91,005	-	-	41,832	106,141	7,722	85,000	24,700	109,700	2.25
2000	94,905	-	-	35,574	101,711	7,561	80,000	29,820	109,820	2.18
1999	85,687	-	-	41,844	126,233	8,950	75,000	34,545	109,545	2.40
1998	76,845	-	-	37,966	167,903	11,887	70,000	38,920	108,920	2.70

**Vernon College**  
**Statistical Supplement 12**  
**Demographic and Economic Statistics - Taxing District (Wilbarger County)**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Calendar Year	District Population	District Personal Income (a) (thousands of dollars)	District Personal Income Per Capita	District Unemployment Rate
2006	14,218	b	b	3.4%
2005	13,896	\$ 371,154	\$ 26,316	4.0%
2004	13,934	\$ 358,406	\$ 25,722	4.5%
2003	14,142	\$ 348,432	\$ 24,638	5.0%
2002	14,278	\$ 337,968	\$ 23,671	4.7%
2001	14,397	\$ 331,851	\$ 23,050	3.7%
2000	14,676	\$ 324,390	\$ 22,103	3.7%
1999	14,035	\$ 321,546	\$ 22,910	4.0%
1998	14,076	\$ 298,031	\$ 21,173	3.8%
1997	14,214	\$ 272,487	\$ 19,170	4.1%

**Sources:**

Population from U.S. Bureau of the Census  
 Personal income from U.S. Bureau of Economic Analysis  
 Unemployment rate from Texas Workforce Commission  
 Texas LMI Tracer <http://www.tracer2.com>

**Notes:**

- a. Taxing District is Wilbarger County
- b. Not yet available

**Vernon College  
 Statistical Supplement 13  
 Principal Employers  
 Fiscal Year 2007  
 (Unaudited)**

Employer	Number of Employees	Percentage of Total Employment (1, 2)
North Texas State Hospital	1000+	13.60%
Tyson Foods, Inc	500 - 999	2.70%
Vernon City Hall	100 - 499	2.70%
Vernon College	100 - 499	2.70%
Wilbarger General Hospital	100 - 499	1.00%
Central Elementary School	50 - 99	1.00%
Vernon High School	50 - 99	1.00%
United Supermarket	50 - 99	1.00%
Vernon Care Center	50 - 99	1.00%
Waggoner National Bank	50 - 99	1.00%
<b>Total</b>	<b>2050 - 3991</b>	<b>27.70%</b>

**Source:**

Texas Workforce Commission Texas LMI Tracer <http://www.tracer2.com>  
 Wilbarger County, Texas

**Note:**

1. Total employment: 7,673
2. Percentages are calculated using the midpoints of the ranges.

**Vernon College**  
**Statistical Supplement 14**  
**Faculty, Staff, and Administrators Statistics**  
**Last Ten Years**  
**(Unaudited)**

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Faculty</b>										
FT	73	73	72	69	71	68	61	53	52	55
PT	118	112	101	98	94	88	88	93	84	84
<b>Total</b>	<b>191</b>	<b>185</b>	<b>173</b>	<b>167</b>	<b>165</b>	<b>156</b>	<b>149</b>	<b>146</b>	<b>136</b>	<b>139</b>
<b>Percent</b>										
FT	38%	39%	42%	41%	43%	44%	41%	36%	38%	40%
PT	62%	61%	58%	59%	57%	56%	59%	64%	62%	60%
<b>Staff &amp; Adm</b>										
FT	147	145	120	125	131	124	123	124	98	109
PT	1	-	9	-	-	-	-	4	8	5
<b>Total</b>	<b>148</b>	<b>145</b>	<b>129</b>	<b>125</b>	<b>131</b>	<b>124</b>	<b>123</b>	<b>128</b>	<b>106</b>	<b>114</b>
<b>Percent</b>										
FT	99%	100%	93%	100%	100%	100%	100%	97%	92%	96%
PT	1%	0%	7%	0%	0%	0%	0%	3%	8%	4%
<b>FTSE</b>										
FT Faculty	1,957	1,961	1,971	2,146	2,219	1,930	1,866	1,881	1,664	1,638
FT Staff	26.81	26.86	27.38	31.10	31.25	28.38	30.59	35.49	32.00	29.78
	0.08	0.07	0.06	0.06	0.06	0.06	0.07	0.07	0.06	0.07
<b>Fac Sal</b>	<b>\$ 3,110,721</b>	<b>\$ 2,909,602</b>	<b>\$ 2,753,724</b>	<b>\$ 2,545,488</b>	<b>\$ 2,622,151</b>	<b>\$ 2,506,888</b>	<b>\$ 2,278,117</b>	<b>\$ 1,937,861</b>	<b>\$ 1,926,926</b>	<b>\$ 1,776,553</b>
<b>Avg. Fac</b>	<b>\$ 42,613</b>	<b>\$ 39,858</b>	<b>\$ 38,246</b>	<b>\$ 36,891</b>	<b>\$ 36,932</b>	<b>\$ 36,866</b>	<b>\$ 37,346</b>	<b>\$ 36,563</b>	<b>\$ 37,056</b>	<b>\$ 32,301</b>

**Vernon College  
Statistical Supplement 15  
Enrollment Details  
Last Five Fiscal Years  
(Unaudited)**

Credit Student Classification	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
0 - 30 hours	1,918	68.67%	1,984	71.24%	1,918	71.25%	1,854	70.60%	1,820	72.14%
31 - 60 hours	696	24.92%	595	21.36%	535	19.87%	520	19.80%	460	18.23%
> 60 hours	179	6.41%	206	7.40%	239	8.88%	252	9.60%	243	9.63%
<b>Total</b>	<b>2,793</b>	<b>100.00%</b>	<b>2,785</b>	<b>100.00%</b>	<b>2,692</b>	<b>100.00%</b>	<b>2,626</b>	<b>100.00%</b>	<b>2,523</b>	<b>100.00%</b>

Non-Credit Student Classification	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	813	74.38%	1,122	80.09%	681	77.65%	1,047	75.98%	971	78.75%
0 - 30 hours	160	14.64%	163	11.63%	124	14.14%	147	10.67%	160	12.98%
31 - 60 hours	86	7.87%	54	3.85%	40	4.56%	77	5.59%	51	4.14%
> 60 hours	34	3.11%	62	4.43%	32	3.65%	107	7.76%	51	4.14%
<b>Total</b>	<b>1,093</b>	<b>100.00%</b>	<b>1,401</b>	<b>100.00%</b>	<b>877</b>	<b>100.00%</b>	<b>1,378</b>	<b>100.00%</b>	<b>1,233</b>	<b>100.00%</b>

Semester Hour Load	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 3	17	0.61%	14	0.50%	19	0.71%	16	0.61%	11	0.44%
3 - 5 semester hours	675	24.17%	812	29.16%	779	28.94%	748	28.48%	686	27.19%
6 - 8 semester hours	672	24.06%	548	19.68%	624	23.18%	595	22.66%	603	23.90%
9 - 11 semester hours	386	13.82%	398	14.29%	333	12.37%	401	15.27%	548	21.72%
12 - 14 semester hours	761	27.25%	673	24.17%	565	20.99%	532	20.26%	320	12.68%
15 - 17 semester hours	264	9.45%	238	8.55%	255	9.47%	239	9.10%	247	9.79%
18 & over	18	0.64%	102	3.66%	117	4.35%	95	3.62%	108	4.28%

Sub-Total SCH Students	2,793	100.00%	2,785	100.00%	2,692	100.00%	2,626	100.00%	2,523	100.00%
Average SCH course load	9.06		9.06		8.65		8.60		8.50	
Non-Credit CEU Students	1,093		1,401		877		1,378		1,233	
<b>Total</b>	<b>3,886</b>		<b>4,186</b>		<b>3,569</b>		<b>4,004</b>		<b>3,756</b>	

Credit Tuition Status	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Texas Resident (in-district)	294	10.53%	316	11.35%	363	13.48%	377	14.36%	377	14.94%
Texas Resident (out-of-dist)	2,461	88.11%	2,438	87.54%	2,296	85.29%	2,230	84.92%	2,116	83.87%
Non-Resident Tuition	38	1.36%	31	1.11%	33	1.23%	19	0.72%	30	1.19%
<b>Total</b>	<b>2,793</b>	<b>100.00%</b>	<b>2,785</b>	<b>100.00%</b>	<b>2,692</b>	<b>100.00%</b>	<b>2,626</b>	<b>100.00%</b>	<b>2,523</b>	<b>100.00%</b>

Non-Credit Tuition Status	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
CEU Students Only	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
CEU Contract & Non-Contract	2	0.18%	27	1.93%	-	0.00%	13	0.94%	10	0.81%
CEU Contract Only	559	51.14%	712	50.82%	98	11.17%	429	31.13%	205	16.63%
CEU Non-Contract Only	532	48.67%	662	47.25%	779	88.83%	936	67.92%	1,018	82.56%
<b>Total</b>	<b>1,093</b>	<b>100.00%</b>	<b>1,401</b>	<b>100.00%</b>	<b>877</b>	<b>100.00%</b>	<b>1,378</b>	<b>100.00%</b>	<b>1,233</b>	<b>100.00%</b>

**Vernon College  
Statistical Supplement 16  
Student Profile  
Last Five Fiscal Years  
(Unaudited)**

	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Gender										
Female	2,355	60.60%	2,558	61.11%	2,147	60.16%	2,556	63.84%	2,303	61.32%
Male	1,531	39.40%	1,628	38.89%	1,422	39.84%	1,448	36.16%	1,453	38.68%
<b>Total</b>	<b>3,886</b>	<b>100.00%</b>	<b>4,186</b>	<b>100.00%</b>	<b>3,569</b>	<b>100.00%</b>	<b>4,004</b>	<b>100.00%</b>	<b>3,756</b>	<b>100.00%</b>

	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Ethnic Origin										
White	2,969	76.40%	3,259	77.85%	2,714	76.04%	3,012	75.22%	2,870	76.41%
Hispanic	489	12.58%	490	11.71%	452	12.66%	508	12.69%	441	11.74%
African American	313	8.05%	324	7.74%	288	8.07%	365	9.12%	321	8.55%
Asian	60	1.54%	58	1.39%	48	1.34%	54	1.35%	56	1.49%
Foreign	11	0.28%	14	0.33%	9	0.25%	13	0.32%	9	0.24%
Native American	41	1.06%	38	0.91%	46	1.34%	46	1.15%	59	1.57%
Other	3	0.08%	3	0.07%	10	0.28%	6	0.15%	-	0.00%
<b>Total</b>	<b>3,886</b>	<b>100.00%</b>	<b>4,186</b>	<b>100.00%</b>	<b>3,569</b>	<b>100.00%</b>	<b>4,004</b>	<b>100.00%</b>	<b>3756</b>	<b>100.00%</b>

	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Credit Students)										
Under 18	517	18.51%	464	16.66%	355	13.19%	316	12.03%	345	13.67%
18 - 21	1,005	35.98%	1,048	37.63%	1,021	37.93%	988	37.62%	882	34.96%
22 - 24	306	10.96%	298	10.70%	295	10.96%	258	9.82%	240	9.51%
25 - 35	622	22.27%	612	21.97%	626	23.25%	601	22.89%	577	22.87%
36 - 50	297	10.63%	308	11.06%	343	12.74%	404	15.38%	404	16.01%
51 & over	46	1.65%	55	1.97%	52	1.93%	59	2.25%	75	2.97%
<b>Total</b>	<b>2,793</b>	<b>100.00%</b>	<b>2,785</b>	<b>100.00%</b>	<b>2,692</b>	<b>100.00%</b>	<b>2,626</b>	<b>100.00%</b>	<b>2,523</b>	<b>100.00%</b>

Average Age	<u>24.3</u>	<u>24.5</u>	<u>25.2</u>	<u>25.8</u>	<u>26.1</u>
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	Fall 2006		Fall 2005		Fall 2004		Fall 2003		Fall 2002	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Age (Non-Credit Students)										
Under 18	12	1.10%	16	1.14%	4	0.46%	63	4.57%	20	1.62%
18 - 21	102	9.33%	63	4.50%	100	11.40%	133	9.65%	133	10.79%
22 - 24	76	6.95%	98	7.00%	88	10.03%	105	7.62%	99	8.03%
25 - 35	262	23.97%	324	23.13%	207	23.60%	329	23.88%	324	26.28%
36 - 50	370	33.85%	474	33.83%	263	29.99%	414	30.04%	388	31.47%
51 & over	271	24.79%	426	30.41%	215	24.52%	334	24.24%	269	21.82%
<b>Total</b>	<b>1,093</b>	<b>100.00%</b>	<b>1,401</b>	<b>100.00%</b>	<b>877</b>	<b>100.00%</b>	<b>1,378</b>	<b>100.00%</b>	<b>1,233</b>	<b>100.00%</b>

Average Age	<u>40.1</u>	<u>42.6</u>	<u>39.2</u>	<u>38.8</u>	<u>38.2</u>
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**Vernon College  
Statistical Supplement 17  
Transfers to Senior Institutions  
2004 Fall Students as of Fall 2005  
(Includes only public senior colleges in Texas)  
(Unaudited)**

	Transfer Student Count <u>Academic</u>	Transfer Student Count <u>Technical</u>	Transfer Student Count <u>Tech-Prep</u>	Total of all Sample Transfer Students	% of all Sample Transfer Students
1 Angelo State University	2	2	-	4	0.82%
2 Midwestern State University	106	185	10	301	61.43%
3 Sam Houston State University	-	2	1	3	0.61%
4 Stephen F. Austin State University	1	1	-	2	0.41%
5 Tarleton State University	12	14	-	26	5.31%
6 Texas A&M University - College Station	12	16	-	28	5.71%
7 Texas A&M University - Commerce	1	-	-	1	0.20%
8 Texas A&M University - Corpus Christi	1	1	-	2	0.41%
9 Texas A&M University - Galveston	-	1	-	1	0.20%
10 Texas A&M University - Kingsville	-	1	-	1	0.20%
11 Texas A&M University System Health Science Center	-	1	-	1	0.20%
12 Texas State University	6	3	-	9	1.84%
13 Texas Tech University	28	19	-	47	9.59%
14 Texas Tech University Health Science Center	-	2	-	2	0.41%
15 Texas Women's University	1	3	-	4	0.82%
16 University of Texas - Arlington	6	3	-	9	1.84%
17 University of Texas - Austin	5	4	-	9	1.84%
18 University of Texas - Dallas	6	-	-	6	1.22%
19 University of North Texas	11	5	-	16	3.27%
20 West Texas A&M University	11	7	-	18	3.67%
Totals	<u>209</u>	<u>270</u>	<u>11</u>	<u>490</u>	<u>100.00%</u>

Note - The information for the transfers to senior institutions for the fall 2005 students as of the fall 2006 is not available.

**Vernon College  
Statistical Supplement 18  
Capital Asset Information  
Fiscal Years 2003 to 2007  
(Unaudited)**

	Fiscal Years				
	2007	2006	2005	2004	2003
Academic Buildings	6	6	6	6	6
Square footage	164,029	152,029	152,029	152,029	152,029
Libraries	1	1	1	1	1
Square footage	16,276	16,276	16,276	16,276	16,276
Number of volumes	13,296	13,296	12,988	12,723	12,410
Administrative and support buildings	1	1	1	1	1
Square footage	28,287	28,287	19,787	19,787	19,787
Dormitories	2	2	2	2	2
Square footage	27,214	27,214	27,214	27,214	27,214
Number of beds	156	156	156	156	156
Dining Facilities	1	1	1	1	1
Square footage	10,170	10,170	10,170	10,170	10,170
Average daily customers	250	250	250	250	250
Athletic Facilities	6	6	6	6	6
Square footage	31,472	31,472	31,472	31,472	31,472
Stadiums	3	3	3	3	3
Gymnasiums	1	1	1	1	1
Fitness Centers	1	1	1	1	1
Tennis Courts	6	6	6	6	6
Plant Facilities	1	1	1	1	1
Square footage	11,000	11,000	11,000	11,000	11,000
Transportation					
Cars	1	1	1	1	1
Light trucks/vans	8	8	8	8	8
Buses	2	2	2	2	2



*Overall Compliance, Internal Controls and Federal Awards Section*



# EDGIN, PARKMAN, FLEMING & FLEMING, PC

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## Independent Auditor's Report

### Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards

Board of Trustees  
Vernon College  
Vernon, Texas

Members of the Board of Trustees:

We have audited the financial statements of Vernon College, as well as its discretely presented component unit, Vernon College Foundation, Incorporated, as of and for the year ended August 31, 2007, and have issued our report thereon dated November 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vernon College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Vernon College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Vernon College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Vernon College's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Vernon College's financial statements that is more than inconsequential will not be prevented by Vernon College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Vernon College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vernon College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as finding 2007-01.

We noted certain matters that we have reported to management of Vernon College in a separate letter dated November 19, 2007.

Vernon College's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit Vernon College's response and, accordingly, we express no opinion on it.

### Public Funds Investment Act

We have performed tests designed to verify Vernon College's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2007, no instances of noncompliance were noted.

This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Edgin, Parkman, Fleming & Fleming, PC*

Edgin, Parkman, Fleming & Fleming, PC

November 19, 2007



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

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### **Independent Auditor's Report**

#### Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Trustees  
Vernon College  
Vernon, Texas

Members of the Board of Trustees:

#### Compliance

We have audited the compliance of Vernon College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to each of its major federal programs for the year ended August 31, 2007. Vernon College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Vernon College's management. Our responsibility is to express an opinion on Vernon College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vernon College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Vernon College's compliance with those requirements.

In our opinion, Vernon College, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2007.

#### Internal Control Over Compliance

The management of Vernon College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Vernon College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vernon College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Edgin, Parkman, Fleming & Fleming, PC

November 19, 2007

**VERNON COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Control deficiency(ies) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? Yes

**2. Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Control deficiency(ies) identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

	<u>CFDA Number</u>
Student Financial Aid Cluster:	
Supplemental Educational Opportunity Grant	84.007
Federal Workstudy Program	84.033
Federal Pell Grant Program	84.063
Carl Perkins Vocational Education – Annual Grant	84.048

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**VERNON COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

**B. Financial Statement Findings**

Finding 2007-01 - Procurement

Criteria: Community Colleges are required to adhere to the procurement laws outlined in the 'Handbook on Purchasing for Texas Public Schools, Junior Colleges and Community Colleges'.

Statement of Condition: The College did not follow the procurement laws in sixteen instances noted during the year and are summarized as follows:

- Purchase in excess of \$25,000, but only online quotes obtained; no newspaper advertisements or formal competitive bids – 4 instances.
- Purchase in excess of \$25,000, no newspaper advertisements or formal competitive bids – 4 instances. One instance the College contends the vendor is a sole source vendor, but there is no documentation.
- Purchase in excess of \$25,000, but only two local quotes obtained; no newspaper advertisements or formal competitive bids – 2 instances.
- Purchase between \$10,000 and \$25,000, but only two local quotes obtained; no newspaper advertisements or formal competitive quotes – 3 instances.
- Purchase between \$10,000 and \$25,000, no newspaper advertisements or formal competitive quotes – 3 instances.

Questioned Costs: None

Cause and Effect: The College failed to comply with the procurement laws during the year ended August 31, 2007.

Recommendation: The College should monitor all of its purchases that are anticipated during a fiscal year and consolidate its purchases to ensure compliance with the procurement laws and ensure the College is getting the best value relative to those purchases.

**C. Federal Award Findings and Questioned Costs**

None

**VERNON COLLEGE**  
**SCHEDULE OF CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

Finding 2007-01 – Procurement

Vernon College has to date utilized a decentralized process for purchasing. No purchasing agent or director of purchasing is employed and thereby the responsibility to monitor purchasing procedures has been maintained at the departmental level. An effort has been made to secure the best price for goods and services in that a competitive quote has been secured in most instances for large purchases. However, advertisements have not been placed in two consecutive week's newspaper as required and outlined in the purchasing handbook referenced above.

Vernon College will review all purchasing needs for the remainder of the current fiscal year and will place the required advertisements in the local newspaper. Competitive quotes or bids will be secured and the best quote or bid will be awarded. All College departments will be asked to review pertinent laws and rules as specified prior to initiating purchases that would fall under the provisions of any bidding or quoting statutes.

Person Responsible for Implementing the Correction Action Plan: E. Gene Gooch, Dean of Administrative Services, Vernon College



**VERNON COLLEGE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2007**

There were no prior year findings or questioned costs.